

Centre for Training and Research in
Municipal Administration

Selected Papers on Municipal Government and
• Administration

Indian Institute of Public Administration
Indraprastha Estate, Ring Road
New Delhi.

Preface .

The papers included in this volume have been compiled primarily for the benefit of the participants attending the Training Courses in our Centre. There are (24 papers in all out of which 13 have been prepared by the members of the staff of the Institute and the Centre. The rest have been obtained from different sources which have duly been acknowledged.

A list of contributors in the following page mention the numerous persons and institutions helping in this endeavour for which we are thankful to them.

G. Mukherji
Director (CIA)

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AN OUTLINE OF URBAN LOCAL GOVERNMENT IN INDIA

by

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AN OUTLINE OF URBAN LOCAL GOVERNMENT IN INDIA

by

Mohit Bhattacharya

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Unlike countries like France where uniform local government system prevails throughout the length and breadth of the country, India has evolved different structures of local government for rural and urban areas. In recent times, much has been written on the Indian rural local government system. Especially after the inauguration of the system of local government known as panchayati raj considerable research and investigations have been undertaken into diverse aspects of the newly evolved system. Comparable interest in urban local government studies in India, is, however, conspicuously absent. Stray articles do, of course, appear here and there on specific problems of municipal government; but compared to the spate of writing on panchayati raj, such publications on urban local government are not more than a trickle. This is all the more disappointing because of the fact that urbanisation and attendant governmental problems have mounted up in recent times as a consequence of planned economic development.

In India there seems to be an inverse relationship between growth in urbanisation and consequent aggravation of urban-problems, and the amount of inquiries and research into them. The system of elective urban local government which was

established during the middle of the last century has remained largely static, although it stands badly in need of repair and renovation. Even the most optimistic observer would express concern about the system's performance and call for thorough examination and suitable reforms.

Hugh Tinker remarks, "The English were certainly not laggard in endowing their Indian territories with self-governing institutions. Madras received a municipal charter investing the town with the machinery of representative government a full one hundred and fifty years before the same privilege was extended to Manchester. If this was to some small extent due to extraneous issues in Stuart royal policy, there was no hidden reason for the drafting of Act X of 1842, which sought to establish municipal committees in India only seven years after the Municipal Corporation Act, introducing the principle of representation of urban rate-payers had become law in England."¹ The two principal forms of urban local government viz., municipal corporation and municipal council,² came into being in the nineteenth century. The Corporation form was ushered in by the Bombay Municipal Corporation Act, 1888. Strikingly enough, although the working

1. Hugh Tinker, "The Foundations of Local Self-Government in India, Pakistan and Burma", University of London, 1954, pp 33-4
2. The municipalities are differently called in different States. Throughout this paper, the name 'municipal council' is used for the sake of uniformity.

of urban local government has frequently been subjected to severe criticisms, the structural patterns of the two types have remained almost unchanged. Under the federal set-up, local government is a State subject, and constitutionally the States are free to tinker with the structures of their local government units. In the rural sphere the States have actually exercised their freedom by making changes in the panchayati raj system in response to local needs and circumstances. But there is a surprising degree of uniformity among the States to maintain the status quo in the sphere of urban local government. It will be pointed out later that some of the States did attempt to introduce structural changes in urban local government, but they had soon to abandon the experiment and revert to the uniform pattern.

Present Pattern

The Rural-Urban Relationship Committee of the Central Ministry of Health and Family Planning which reported last year gave the following figures of urban local bodies in India.

Table I

Types	<u>Urban Local Bodies in India</u> ³	Number
1.	Municipal Corporations	25
2.	Municipal Councils	1,487
3.	Cantonment Boards	62
4.	Notified Area Committees	164
5.	Town Area Committees	327

Source: Report of the Rural-Urban Relationship Committee (Vol. I) Ministry of Health and Family Planning, Government of India, p.55

3. Aside from these, there are improvement trusts, water and sewage boards, and housing boards which are indifferently consti-

Although Table I above shows five types of urban local bodies, only the first two types can be considered as fully fledged representative urban local government. The cantonment boards are governed by the Cantonment Act, 1924, which is a Central Act. The cantonments are military stations that grew up during the British regime due to historical reasons. Even today, these are controlled directly by the Central Ministry of Defence. In each cantonment, there is a cantonment board which is partly elected and partly nominated and its key officials such as the medical and engineering personnel are drawn from the military on ex-officio basis.

The notified area committees which exist in eight States and one Union Territory usually represent a step-gap arrangement for areas which are fast developing as new urban areas but which are not yet ripe for municipalisation. The members of these committees are all nominated by the State Governments which vest the committees with specific powers in accordance with the provisions of the prevailing municipal Acts.

In Six States and one Union Territory there are town area committees, the members of which are either elected or nominated, or partly nominated and partly elected. Generally, such committees are set-up for small towns and entrusted with limited local functions.

The municipal corporations and municipal councils had had their basic structures laid down in the 19th century, which remain essentially the same even today. The corporation form

is usually found in the principal cities. In general, the corporations enjoy wider powers and more autonomy than other municipal councils. A distinctive feature of the corporation system is the statutory distribution of power among three coordinate authorities viz., the corporation council, the commissioner and the standing committees. The council consists of popularly elected representatives. The commissioner who is the head of executive administration is appointed by the State Government. The standing committees derive their powers from the Act itself and/or through delegation by council. The Mayor who is the head of the corporation has no executive powers. It is the commissioner who, as chief executive officer, supervises the day to day administration of the corporation. Another important feature of the bigger municipal corporations, such as Calcutta, Delhi and Madras is the existence of sub-municipal units called borough committees in Calcutta, zonal committees in Delhi and circle committees in Madras are delegated many of the purely local functions such as vaccination, registration of births and deaths, cleansing of streets and other local improvement works.

It is evident from the above discussion that the corporation system is designed to separate the deliberative and executive functions. The council is the deliberative wing and the commissioner is in charge of executive responsibilities. All the municipal corporations in India are uniform in this respect. Unlike the municipal corporations, the municipal

councils which are commonly found in urban areas have, generally speaking, an integrated structure. The chairman, who is head of the deliberative wing viz., the council, is also the chief executive. At present, however, the trend in almost all the States is toward making statutory provision for the appointment of executive officers responsible for day-to-day administration. The committee system is widely in use, although the number and pattern of committees are not uniform throughout India. Some committees are mandatory, some are optional, and there are still others which are ad hoc in nature.

Personnel

The service conditions in Indian urban local government are, generally speaking, far from satisfactory as a result of which urban local bodies have not been able to attract suitable personnel to efficiently run the machinery of government. The municipal corporations are better off in this respect, as the commissioners of corporations are appointed by the State Governments and they are invariably top-ranking State officials belonging to the all-India service. In addition, a couple of high-ranking State officials are sent on deputation to work as deputy commissioners or to fill in other top positions. But similar arrangements have not been made in the case of municipal councils. The State of Madras which has developed a system of State-appointed municipal commissioners for the municipal councils is an exception to this general pattern. In recent times, however, most of the States have made provision for the

appointment of the municipal executive officers to look after regular administration under the general control and supervision of the municipal chairman.

As regards technical officers and all other staff, the general pattern is the individual personnel system of each urban local body. In consequence these bodies have found great difficulty in getting suitable personnel such as public health engineers, medical and health officers, town planners and so on. The pay-scales and other service conditions in municipal government have failed to attract qualified personnel. Chances of promotion are remote in a local body, nor is there any prospect of transfer since there is no unified local government service. Thus, the very image of service in a local body has in most cases discouraged the entry of suitable personnel.

The State Governments are now very much concerned about the conditions of municipal services and are taking steps to improve the situation. Most of the States are now making provision for the appointment of municipal executive officers. To regularise the recruitment of senior and middle level municipal personnel, the State public service commissions have been used in some States. The system of integrated service for technical posts such as municipal engineers, and health officers has been adopted in a few States. Under this system, the officers are recruited for the requirements of the State Governments as well as the municipal corporations and municipal councils, and they may be posted either in a State

department or in any of the urban local bodies. Also, there are limited instances of States that have introduced a system of unified municipal service for specific posts under which the officers are transferable from one municipal authority to another. The general trend seems to be to organise integrated service system for the technical posts only. Whatever systems are worked out in future, it has been clear by now that no urban local authority can attract properly qualified personnel unless service conditions including scales of pay, prospects of promotion, job security and other service benefits are considerably improved.

Finances

An account of urban local government will be incomplete without a discussion on their finances. It is frequently observed that it is the desperate financial condition of the urban local bodies in India which is the root cause of their weakness and inefficiency. A full-scale discussion of municipal finance is not possible within the scope of this paper and we can highlight some of the important problems only. The sources of income of the municipal authorities are revenue from specific taxes, grants-in-aid from the State Governments, and non-tax revenues from fees, fines and municipal enterprises such as city transport, markets, etc. A recent inquiry shows that "the urban local bodies derive about 66% of their ordinary income from tax revenues, about 21% from non-tax

revenues and 13% from grants-in-aid"⁴. The major taxes levied by most of the urban local bodies are (i) taxes on property including general rate and service taxes for water supply and drainage, lighting, garbage disposal etc; (ii) octroi⁵ on the entry of goods into a local area for consumption use or sale therein; (iii) taxes on animals and vehicles; and (iv) tax on trades and callings. Although, income from taxation constitutes the mainstay of urban local finance, municipal tax administration has been far from satisfactory. The following extract from a recent committee report depicts the situation very vividly:

"The Municipal Councils have generally been averse to levying fresh taxes on enhancing the rates of existing taxes. From a study of the tax structure of 100 local bodies, it appeared that as recently as 1962-3, 21% of the local bodies were levying no property taxes, 54% were levying no service taxes, while about 27% were levying no vehicle tax. The Committee on Augmentation of Financial Resources of Urban Local Bodies has also reported that in 1960-61, 35% of

4. Augmentation of Financial Resources of Urban Local Bodies, Report of the Committee on Ministers constituted by the Central Council of Local Self-Government, November 1963, Manager of Publications, Delhi, 1965, p. 140.

5. This tax is not levied by all the States. The exceptions are Andhra Pradesh, Assam, Bihar, Kerala, Madras and West Bengal.

Municipalities in Gujarat, 18% in Madhya Pradesh, 38% in Punjab, 83% in Rajasthan and 40% in Uttar Pradesh were levying neither property tax nor any of the service taxes. In Rajasthan, the levy of house tax, tax on professions, trades and callings and octroi are by law obligatory and their rates have been fixed by the State Government but many local bodies are not collecting the house tax or the tax on professions, trades and callings. In Assam and Kerala, the Municipal law provides for the levy of a duty on transfer of property, but no local body has utilised this source of revenue. Even where taxes are levied the rates fixed are kept low and the incidence of Municipal taxes falls unevenly on different sections of people."⁶ The administration of property taxation which is the most important source of municipal income in many of the States, remains highly unsatisfactory. In the absence of a central valuation agency, assessment is often vitiated by local political considerations. On top of it, tax collection is often grossly mismanaged as a result of which many of the urban local bodies are found in heavy arrears. In some of the States, not even half of total municipal tax demand is collected.

State grants-in-aid have not assumed a significant proportion of municipal income so far in India, although State control is considerable. Only recently, the States of Gujarat, Kerala and Madhya Pradesh have introduced detailed grants-in-aid

6. Report of the Rural-Urban Relationship Committee, Vol. I,
Ministry of Health, F.P., Government of India, June 1966, p.89

systems. In all other states, grants are made on ad hoc basis, depending on the state of State finances.

Municipal income from non-tax sources is also meagre. Most of the remunerative enterprises such as road transport, electricity etc. are generally speaking, exploited by the State Governments themselves, and the urban local bodies have not been forward-looking enough to tap other sources such as milk supply, hotelliering, land development and so on.

Most of the municipal bodies have low per capita income which stands in the way of their providing even the basic civic amenities. A recent survey made by the Rural-Urban Relationship Committee⁷ reveals that during 1962-63, most of the municipal corporations studies had an annual per capita income of less than Rs. 30/- or £1-10s. The figure was as low as Rs. 2/- or 6s. only in the case of smaller municipalities. Evidently, such municipal authorities exist in name only.

Role of State Governments

Constitutionally, local government is a State subject in India. A long tradition of centralised administration coupled with this constitutional position has led to considerable State control over municipal administration. Also, the rigour of State control is, in no small measure attributable to the almost incurable weakness and inefficiency of municipal government, and a pathological indifference of the urban citizenry to municipal institutions generally.

7. Report op.cit., p. 86.

The municipal bodies are creatures of State laws and as creators the States have powers to delimit and alter their jurisdiction effect mergers and even extinguish them. State control extends to almost every aspect of municipal administration such as finances, staff appointment and dismissal, sanctioning of major projects and performance of even ordinary functions. Control is strictest in financial matters and elaborate rules and regulations have been framed for this purpose. The budgets, for instance, are submitted to the State Governments for approval and there are auditors appointed by the State Governments to audit the municipal accounts. Besides, the States have powers of inspection and supervision, powers to call for reports and returns, to take action in default, and to suspend execution of municipal orders and resolutions. In case of incompetence or persistent default in the performance of duties, the State Governments have powers to supersede the municipal bodies and appoint administrators to manage their affairs.

The role of the State Governments is of crucial importance in promoting healthy growth of the urban local bodies. But the situation today is not very much different from what the Simon Commission observed about thirty seven years ago: "Where spur and rein were needed, the Ministers were given only a pole-axe."⁸ This is also confirmed by the observation of a recent committee report that "the techniques of supervision

8. Quoted in Tinker, op. cit. p.142.

and control in India - specially in the urban areas - have remained rather static, unimaginative and negative,"⁹ The wanton use of drastic punitive measures which include removal of elected members and supersession of municipal administration, testifies to this state of affairs. However, many of the State Governments are now in the process of setting up directorates with requisite personnel for maintaining close contacts with the municipal bodies and offering them necessary and timely guidance and advice. Some States have already introduced grants-in-aid codes to systematise State grants to the municipal bodies. Also, to solve their personnel problems, many States have either adopted or are planning to introduce an integrated system and or an unified system. Still, these efforts are rather slow in coming and patchy in nature.

Summing up

Although urban local government has long been in existence, it cannot be said to have attained adulthood even today. Prior to Independence, the steady growth of the municipal bodies was not possible primarily because of the over-whelming importance attached by national leaders to the cause of political freedom. In the post-Independent phase, major attention was paid to the urgent nation-building activities such as planning and economic development. It is true that the First Conference of the State Local Self-Government Ministers was convened by the Union Ministry of Health as early as 1948, and six years later the

9. Report of the Rural-Urban Relationship Committee, op.cit., p. 117.

Central Council of Local Self-Government had come into being. But, constitutionally local government being a State subject, the States have not been much enthusiastic about improving urban local government in spite of intermittent proddings by the Central Government. It is significant to note that the newly evolved system of rural local government known as panchayati raj is a creation of the Central Government. Similarly, radical reforms in the sphere of urban local government will perhaps await an accidental reforming zeal on the part of the Central Government. Even then, with different political parties in power in the States and at the Centre, now it may not be easy for the Centre to push through a scheme of reform.

The responsibility for stimulating the municipal bodies and helping them grow as local self-governing institutions falls primarily on the State Governments. But, as already mentioned, the attitude of the State towards the municipal bodies has been largely static and negative. After Independence only two States viz., Uttar Pradesh and Madhya Pradesh made an unsuccessful attempt to make organisational changes by introducing the system of direct popular election of municipal presidents (Chairmen). The experiment in both the States was short-lived and they had soon to go back to the old conciliar system with the president/chairman being elected by the councillors from among themselves. Apart from this, no fresh attempts were made by any of the State Governments to introduce changes in the

structure of urban local government. However, as pointed out earlier, many of the States are now trying to improve the staffing pattern of the municipal bodies and some States such as Kerala, Gujarat and Madhya Pradesh have regularised State grants to the municipal bodies on the basis of certain principles.

In a predominantly rural country like India, it is too much to expect radical reforms in urban local government within a short period. The State legislatures and the national Parliament are dominated by rural politicians who are naturally immersed in rural development problems. Also, the general poverty of the country and competing demands on resources stand in the way of liberal income transfers from the higher level governments to the local bodies.

Last but not least, urban local government is also impoverished by the general apathy of the urbanites, and it may not be an exaggeration to say that there is hardly any perceptible demand for urban local government. In a new democracy there remains a tendency to integrate all the levels of government which is due perhaps to the reluctance of upper level governments to part with power. When to this is added citizens' indolence and apathy, such a situation is hardly conducive to the steady and healthy growth of local self-government. Perhaps India is passing through this critical phase of political evolution which is affecting the growth of local government, both rural and urban, equally.

COMMITTEE SYSTEM AS A MANAGEMENT DEVICE

by

MOHIT BHATTACHARYA

(This paper was submitted at the Seminar on Municipal Administration organised by the Urban Administration Centre of Osmania University, Hyderabad, during 17th - 22nd June, 1968)

COMMITTEE SYSTEM AS A MANAGEMENT DEVICE

by

Mohit Bhattacharya

The Committee System in municipal government can be discussed from a variety of stand-points. The purpose of this paper is to look at the committee system as a management device in municipal government and administration and to pose some problems from this angle. Our municipal corporations and municipalities undertake a number of functions: some are regulatory, some are in the nature of direct services to the public and still others like planning are holding-the-fence-type of functions. Whether the structure of the prevalent municipal authorities is best suited to discharge these functions is an open question. At any rate, the proliferation of competitive urban local institutions such as the improvement trust, the housing board, the water supply and sewage board and so on does point out the feasibility of management of many of the municipal functions through a variety of institutional devices. Again, in different parts of the world structural peculiarities of local government institutions offer a feast for the student of comparative local government.

The structure of our municipal government, as is well known, is a legacy of history. Because of the historical accident of British rule in India, municipal government in this country was modelled on the British pattern. Of course, some

changes were made from time to time to adjust the municipal structure to local circumstances; but broadly speaking, the structure had close resemblance with the English institutions. The committee system which is the subject of our discussion has been characterised as 'the British way of life'. In fact, it is striking to note that the sub-title of Prof. Wheare's famous book, Government by Committee, reads as "an essay on the British Constitution". This shows the importance of the committee system in British way of governance. But inspite of their heary tradition the effectiveness of the committee system as a management device has, in recent times, been a subject of serious concern. For instance, the recent report of the Maud Committee on Management of Local Government has drawn attention to the difficulties confronting English local government because of the multitude of administering committees going merrily on their own way. It is worth-while to refer briefly to the management problems involved in the British system, for this might be an eye-opener for us. In British local government, the elective council is the repository of all powers. In this system, the several committees each of which is concerned with the administration of one or more functions, receive their powers by way of delegation by the council. Thus the British committees do not derive powers directly from the statute. They are, strictly speaking, sub-committees of the council, and they do not have, legally speaking, any power of taking final

decisions. So, all the deliberations and decisions of the committees go to the council for confirmation. In actual practice, however, very few of the recommendations of the committees are rejected or referred back. Through usage, therefore, the committees in British local government have come to acquire so much power. The departmental organisation of a local authority in England follows closely the types of administering committees. The chairman of a committee and the officer-in-charge of the function which is being looked after by the committee, work very closely together. In consequence, each department, guided by the relevant committee, operates almost in an autonomous fashion. In such a situation, inter-departmental coordination becomes the first casualty. The British Town Clerk who is supposed to be the chief officer of a local authority remains, in effect, a mute spectator to the discordant administration on which he had little control. "The general conception is", as the Meud Committee observes, "that of an assemblage of committees, each carrying out its own special duties and championing its own causes, with reliance on horizontal committees, personal contacts, party machinery and the efforts of officers to achieve coordination".¹

1. Committee on the Management of Local Government, Report (Vol. I) HMSO, London, P.14

Problems of our Municipal Corporations

Fragmentation of authority and consequent lack of coordination are in no small way responsible for some of the difficulties in our municipal management; but the Indian problems stem from a rather different situation. We have two main types of municipal government; the municipal corporation and the municipal committee. It was the Bombay Municipal Corporation Act of 1888 which created a model of Corporation government. The Hyderabad Municipal Corporation Act, 1955, like all other Corporation Acts, has followed the Bombay model quite closely. A peculiarity of this model lies in the creation of the triumvirate consisting of the corporation, the standing committee, and the commissioner. As they derive powers from the statute, they operate as coordinate authorities. Section 4 of the Hyderabad Act enumerates the three authorities which are charged with the execution of the Act, viz., the Corporation, the Standing Committee, and the Commissioner. The respective functions of these authorities have been specified in Section 117 to 128. The Hyderabad Act is unique in providing for a single Standing Committee (Section 93). There are references to sub-committees of the Standing Committee and Special Committees of the Corporation, but it is Standing Committee which emerges as the powerful organ of Corporation government deriving powers directly from the statute. This stands in sharp contrast to the provisions of the Calcutta Municipal

Act, 1951, in accordance with which five standing committees — finance and establishment; education; health and busti improvement; water supply; drainage and sewage disposal; and works and town planning — possess direct statutory powers. The Corporation type of municipal authority suffers from fragmentation of authority due to the parcelling out of powers and functions among three competitive authorities, viz., the Corporation, the Commissioner and the Standing Committee. There, as in Calcutta, the statutory committees are numerous, this leads to further accentuation of fragmentation. The provision for a single Standing Committee in the Hyderabad Act has had the salutary effect of forestalling fragmentation at the committee level. And given political homogeneity, there is every possibility of the emergence of a cabinet type of government in the Corporation via the Standing Committee. In that event the independent statutory powers of the Commissioner may well prove to be a stumbling block to concerted and harmonious municipal administration. Even now, it is not unknown that the commissioners in many of the municipal corporations are certainly not in a very enviable position; there are either open conflicts or uneasy alliances.

Integrated Structure of Municipal Committees (Councils)

The Corporation model with three coordinate authorities is an exotic Indian system which has hardly any parallel anywhere in the world. Perhaps, the statutory distribution of powers between the manager and the council in the Eire manager

plan belongs to the same species. In any case, it has no parallel in English local government. The English council-lar system under which all the powers vest in the elected council became the model for the municipal committees in India. No statutory committees were there to claim a share of authority. If one makes a quick survey of the older municipal Acts which are still in force in many of our States such as West Bengal² (Act of 1932), Bihar (Act of 1922), Madras (Act of 1920), Punjab (Act of 1911), and U.P. (Act of 1916), one would find no provision in these Acts for any standing committees which constitute an important feature of the Corporation model, like the English system, constitution of committees for making recommendations to the council has been provided for. But the wide use of such committees and the duet of the functional committee and the parallel department which characterise the English system have never been fully realised in our municipal committees. The smallness of our municipal committees, lack of effective power, and reluctance of members to disperse authority — all these have stood in the way of fully developed committee system in our municipalities. Although the municipal committee is more of an integrated type, the comparison with the English system should not be stretched too far. The role of the chairman in the older municipal Acts was certainly a departure

2. Education Committee is a statutory committee in West Bengal.

from the English model. For, the chairman was given some statutory powers, and all executive administration was placed directly under his control and supervision. Even now, the chairman enjoys these powers in most of the States where the older Acts are in force. The chairman's power of general supervision and control has also been retained in some of the new Acts such as those in Maharashtra (Act of 1965) and Gujarat (Act of 1963).

Trend Toward Fragmentation

There is a trend in many of the new municipal Acts toward the distribution of statutory powers among the council, the chairman, the standing committee, and the chief executive officer. The Andhra Pradesh Municipalities Act, 1965, falls in this category. Section 4 of this Act enumerates the authorities charged with carrying out the provisions of the Act. There are the council, the chairman, the executive committee, and the secretary. The entire chapter III of the Act deals with the powers and functions of these municipal authorities which is very much in line with the provisions of Chapter III of the Hyderabad Municipal Corporation Act, 1955. Also, Section 4 of the Municipalities Act is almost a replica of Section 4 of the Corporation Act the only difference being the mention of the chairman as one of the four municipal authorities. Thus, the scheme of fragmentation of authority in the corporation model has been grafted in the Municipalities

Act also. Not only that, fragmentation has been carried further in the Municipalities Act. It is expected, therefore, that the attendant problems of fragmentation which have already been discussed earlier in this paper, will accompany the scheme in due course. The Executive Committee is the only statutory committee in the Andhra Pradesh Municipalities Act, which makes it similar in this respect to the municipal Acts of Gujarat, Kerala, Madhya Pradesh and Mysore. The municipal Acts of Maharashtra and Rajasthan provide for a number of statutory functional committees along with the key standing committee. The Executive Committee of the Corporation Act. The adoption of a single committee system works as a guarantee against discordant administration inherent in a multi-committee system. Also, the Executive Committee can provide executive leadership in municipal administration if it gets the necessary political backing. Two provisions in the Act, however, stand in the way of emergence of executive committee as the most important organ of municipal government and administration. In the first place, election of members in accordance with the system of proportional representation by means of a single transferable vote (Section 28(3)) may lead to a politically heterogeneous Committees. In the second place, Section 57(1)(a) confers independent powers on the Secretary in relation to collection of taxes, fees and licences and removal of encroachments. As political heterogeneity is apt to reduce the effectiveness of

the Executive Committee, so the independent statutory powers of the Secretary are not unlikely to drive a wedge between him and the Executive Committee. In either case, possible administrative leadership of the Executive Committee is expected to be hamstrung.

Summing up

The committee system being one of the apparatuses of the municipal machine, its role needs to be related to other parts of the machine. As this discussion being out, there is a trend in the new municipal Acts towards the creation of coordinate statutory authorities of which the standing committee or the executive committee is an important part. With more and more encadrement of municipal services, this trend may gather momentum. In that event, splintering of powers and authorities will be a common feature of both the Corporation Acts and the Municipalities Act. This is already the case in Andhra Pradesh, and in some other States. A close look at the scheme of fragmentation of authority and powers reveals an attempt to make a queer compromise between 'democracy' and 'efficiency'. The underlying assumption here is that the two will go together, and that too at the local government level only. An important fact missed by our legislators is that executive leadership can be either collective or individual-centric; it cannot be both.

When powers are statutorily divided between the executive committee or the standing committee on the one hand and the commissioner or the secretary on the other, administrative leadership is sandwiched between the two, and the situation becomes one of 'suspended animation'. The situation may not be that critical in every case, but the system has a built-in bias toward that.

If collective leadership of the standing committee or the executive committee is accepted as the basic tenet of municipal management, conferment of statutory executive powers to any other authority is apt to defeat the purpose. This applies as much to the commissioner or secretary as to the chairman. I would draw attention particularly to Sections 48 and 49 of the Andhra Pradesh Municipalities Act, 1965, conferring executive powers on the Chairman which is repugnant to the scheme of Executive Committee leadership enshrined in the Act.

The executive or standing committee has great potentialities for being developed much like the executive board in the Swedish local councils which is the king-pin of local executive administration in that country. The provision for coordinated authorities in our corporation and municipal acts stands in its way at present. Collective leadership by the executive or standing committee would still leave room for wide use of the officials and a range of committees by way of delegation of powers and functions which is so important in the management of local government.

PROBLEMS OF RURAL URBAN RELATIONSHIP

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PROBLEMS OF RURAL URBAN RELATIONSHIP

Modern urbanism is essentially the product of technology. Technology creates and sustains the ever expanding concentration of huge aggregates of population to an extent unthought of fifty years ago. There was a time when a single factor of water supply limited the size of the city. Fatehpur Sikri, the dream city of the great Moughal had, it is said, to be abandoned for sheer lack of water although Jamuna flowed at a distance of 20 miles. Today Bombay gets its water supply of 200 million gallons daily from lakes 70 miles away and its transport system carries millions daily to and fro between place of work and residence.

The impact of technology has made the distance or gap between the rural and urban very much narrower in the advanced western countries. There is very little difference between the way of life of the town dweller and the countrymen except its tempo. The city is the centre of finance and commerce as well as of culture with its theatre, art gallery and the university. But it has also its congestion and slums away from the sights sounds and smells of the country-side, where nature asserts itself in a relaxed atmosphere. The sub-urban development is an attempt to have the best of both worlds, thanks to vastly improved means of communication and transport, adding to the size and extent of the metropolitan area, sprinkled with a host of local authorities.

In India the gap between town and country is still very wide. Even in villages situated within a few miles from the glittering city, there is no street lighting and the impact of technology can only be seen by the presence of the hurricane lantern and the cycle. The Community Development Programme has brought to the village the jeep and Petromax along with fertiliser, improved plough, thrasher and cutter and a growing awareness of backwardness. Out of the 54 million houses in about half a million habitations classified as villages as many as 50 million according to the Census of 1951 were substandard and have to be rebuilt or substantially improved. Out of the 5000 villages where rural housing programme was to be taken up under the Second Five Year Plan only about 2700 could be surveyed and lay-out prepared for 2260 upto the end of 1963. The only source of drinking water supply is the traditional well always threatened with the danger of contamination and in many areas people are compelled to resort to meagre unprotected sources for a pitcher of water that has to be carried on heads of women and children for considerable distances on foot. A serious handicap from which the villages suffer is the utter dearth of all weather roads and other means of communications. The bullock cart continues to be the principal means of transport even in villages in close proximity to the growing towns. In fact these conditions continue to persist in varying degrees even in the villages included within the city

boundaries of a number of corporation towns in the country. Modernism seems to come to a sudden stop at the edge of the built up areas of the city.

A significant shift from the isolated, all sufficient, character of the village is indicated in a recent study by Dr. Irawati Karve, of 22 villages at the boundaries of Poona - Satara districts surrounding a small town Phaltan, with a population (19,000) more or less equal to the total of these villages. Her conclusions are that the village can no longer be looked upon as a community but a mere agricultural settlement. It is no longer a social, cultural and economic entity with all its traditional services. The craftsman, the carpenter, the blacksmith, the barber etc. have migrated from the village to the nearby central towns as the village does not give them full time work and they had to look for wider opportunities in the context of a growing money economy. This small town is not only the market centre and service centre but also the social and cultural rendezvous of the surrounding villages. All roads lead to the small town but only if there were all weather pucca roads linking the surrounding areas to the centre and making the whole an integrated unified community.

Alongside this urban development, we have the emergence of large urban centres which are growing at a far more rapid rate. While urban population as a whole has grown twice as rapidly as the rural during the decade 1951-61, 107 cities with a

population of 1,00,000 or over contain 44% of the total urban population in 1961 as against 73 cities containing 38% in 1951. The decennial increase for cities having population of over a million is 85.7% against the general urban increase of 27.4%. It is interesting to note that Calcutta with the municipal boundaries frozen to the heart of the metropolitan city registered a rise of 8.5% only indicating the tendency of the new increased mostly taking place in the suburban periphery with growing in-roads into the surrounding rural areas in a haphazard chaotic sprawl. This calls for integrated planning and administration of the city region which includes the city centre and the rural hinterland which cannot be divorced from each other.

It is in this context of the disparities that persist between town and country and the changing pattern of life under the impact of a developing economy that problems of rural-urban relations have to be viewed.

Categorisation of Rural and Urban Areas

What is town and country? The principal factor that makes a State Government constitute an area into an urban local authority has been its population, although not all the areas with similar population may be made into a municipality or a town area. In certain States such as U.P. there are town area committees set up for a population of 5,000 governed by a separate Town Areas Act, which are raised to the status of municipality on their attaining a population of about 20,000

and some financial capacity.-- In Maharashtra and the old areas that once formed part of the State of Bombay there was a system of District Municipalities and Burrough municipalities while in other States such as Bengal and same act applied to all urban local authorities, and there were municipalities even with a population of 3,000 only. On the other hand Madras has had municipalities only when the population reached the figure of about 20,000. At the same time there are considerable number of places with a population of over 5,000 or even over 10,000 which have not received the status of urban government.

The 1961 census applying a more rigid test of an urban area area has generally included categories of towns, which have already got a town government irrespective of the population so that there were 266 places with less than 5,000 population which have been classified as Class VI towns. And there may be more such towns which may have population of 5,000 but which may not satisfy the other tests laid down in the census vol., a density of 4,000 sq. mile and an occupational structure of 75% of the workers being non-agricultural.

The application of these tests resulted in the declassification of 811 places classified as towns in 1951. According to 1961 census there are 4169 places classified as villages with population of 5,000 or over and out of these as many as 773 have a population of over 10,000, as against 817 places

with population of 10,000 to 19,999 and 844 between 5,000 and 9,999 classified as towns. Quite a large number of the 4,169 "Villages" could be made town areas or small municipalities under the existing laws in most of the States. Conversely most of the 1927 Class IV, V & VI, "Towns" with population less than 20,000 could be constituted ^{as} Panchayats leaving behind only 763 towns out of which 515 have a population less than 50,000 and 141 with 50,000 to 99,999 and 107 with 1,00,000 or over. In fact as many as 829 places classified in 1961 as urban did not have any form of urban government. We thus have the following categories of urban and rural areas under the various population groups.

TABLE I

<u>Population</u>	<u>Rural</u>	<u>Urban</u>	<u>Class of Towns</u>
	*		
Less than 5000	-	266	Class VI
5000 to 9999	3396	844	Class V
10000 to 19999	773	817	Class IV
<hr/>			
Total less than 20000	4169	1927	-
20000 to 49999	-	515	Class III
50000 to 99999	-	141	Class II
100,000 - 499,999	-	94	Class I
500,000 - 1 million	-	6	
Above 1 million	-	7	

* Not included

Table II gives the percentage distribution of workers for the various classes of towns and cities with population of 50,000 and above and the over-all position for towns less than 50,000.

TABLE II

Category of employment	Cities over 1 million	$\frac{1}{2}$ million to 1 million	100,000 to 1 million	50,000 to 100,000	Towns below 50,000
1. Agriculture, mining live stock forests etc.	1.79	3.57	4.67	9.10	22.51
2. Household Industry	1.94	5.72	7.62	8.90	10.54
3. Manufactures	31.14	30.02	21.44	21.44	14.04
4. Trade, Commerce, Transport, Construction	32.86	32.85	30.61	29.14	23.95
5. Other Services	32.27	27.84	32.66	31.42	28.96
	100.00	100.00	100.00	100.00	100.00

There is a distinct trend in favour of rural pursuits and household industry at the cost of manufactures and commerce in the towns with lower population. From the point of view of municipal organisation, it is the total population that is the main consideration because housing, and other civic amenities and services have to be related to the size of the people to be served. Even so, large industrial centres may present special

problems of regulation and control, and size of the town or city itself may bring up varying problems of rural-urban relationship.

The categorisation of towns for municipal government would be governed to a great extent by the nature of statutory and organic links to be established in the light of the problems of rural-urban relations that may be posed by the varying types of towns and cities, large and small. In their note on rural-urban relationships which was placed before the Third Conference of Municipal Corporations and Eighth Meeting of the Central Council of Local Self-Government in 1962, the Ministry of Community Development had suggested the following categories of local bodies apart from cantonments or special authorities.

- (i) Village panchayats for population not exceeding 5,000
- (ii) Nagar Panchayats for population 5,000 to 30,000 -
Class I above 15,000 and Class II below 15,000.
- (iii) Municipalities and Corporations for population above 30,000.

It was further proposed that the Nagar Panchayats upto population of 30,000 may be given representation in Panchayat Samitis, and municipalities ranging between 30,000 to 100,000 could be given representation of Zila Parishads. For municipalities and corporations with a population of over 100,000 it may not be necessary to provide any statutory link between them and the Panchayati Raj bodies.

It will be useful to consider the position of the small town and the larger cities in relation to the surrounding rural areas in the context of a developing planned economy. As indicated above, the small town or the large village is developing largely as a service centre for the surrounding settlements. One of the objectives of national planning is to secure a diversification of the occupational pattern to reduce the present extreme dependence on agriculture, by developing local small scale agro-industries. At the same time the productivity of by introducing new techniques and the improvement of tools and agriculture is sought to be improved/and equipments. All this involves higher skills, more training and education, better and wider institutional and administrative organisation and increasing use of electricity and machines. The village by itself is too small a unit for this diversified activity. They have to be linked up with a more or less central model small town which is easily accessible providing the skilled technical services, local supplies, marketing facilities, social, cultural and welfare institutions. The central urban centre with its constituent villages would make a composite planning unit.¹ There may be one or more such service centres in a Panchayat Samiti area and it is not unusual to find even the Block/ Panchayat Samiti headquarters being located in one of such small towns, which do some time have their own urban local government quite apart from the Panchayat Samiti.

1. For an exposition of this, please see two articles in Roy Turner - India's Urban Future; Tarlok Singh - Rural Industrial and Urban Development pp. 327-334; V. Nath - The Village and the Community, pp. 150-154.

While the small town is thus part of the rural setting strengthening and serving the rural area and is an aid to better agriculture and progressive diversification of occupation of the rural population, the large sprawling commercial and industrial towns tend to engulf the surrounding villages. The agricultural lands are steadily converted into building sites depending on accessibility to the main town, the remaining lands are more directed to supplying the town with vegetables and dairy product while increasing number of the working population look to the city and go to it for employment. While the plan for the small town including its area of influence has to be oriented to the requirements of the rural population with emphasis on agriculture and agro-industries, the city region plan has to be oriented to the urban population and industrial potential.

In between these two types stand the medium towns with population ranging between 20,000 and 1,00,000. Most of the district headquarter towns in Indian belong to this category. In fact over 50% of the district towns have population less than 50,000. Such district headquarters combine in themselves the characteristics of a growing small town plus the administrative and higher technical, educational, social and economic institutions such as courts, colleges, hospitals, banks, representing the top of the institutional hierarchy of the district. Some of the towns in this group have an industrial base with potentialities of rapid expansion, while some others

may be parts of wider conurbation of town groups. With these exceptions, all the towns in this category are commercial and administrative centres essentially tied up with the rural economy including industrial establishments utilising local raw materials or supplying local needs. Their development plans have to be closely related to district plans requiring working relationship between the Zila Parishads and the urban local authorities.

The categorisation of towns and cities for purposes of local administration has, therefore, to be based on their functional and a spatial relationship with the surrounding areas, which constitute alongwith the towns a composite unit for physical, economic and institutional planning. Taking into account these various factors the following grouping of areas and regions may be suggested.

- (1) Towns and Villages with population of upto about 20,000 except those which are district headquarters.

Some of them would be centres of groups of villages within a Block/Taluka Samiti area while others may be the headquarters of the Block/Taluka. All such local bodies should be linked up with Panchayat Samitis for purposes of over-all planning and for execution of common development programmes. The small town can survive and flourish only by developing it as the service centre of the villages around.

In Gujarat towns with population upto 30,000 are being constituted into Nagar Panchayats within the Panchayati Raj structure.

- (2) All District Headquarters Towns and those with population upto about a lac excepting those mentioned below. Their development plans should be linked up with district plans and they should have direct representation in Zila Parishads.
- (3) Industrial or administrative centres with potentialities of rapid growth such as Ghaziabad, Rourkela, Chandigarh and the like which, though having population less than a lac must have master plans to include a substantial part of the surrounding areas to safeguard against unhealthy chaotic urban sprawl. Most of the cities having one lac will also fall in this category. Some rural areas presently under panchayats will have to be absorbed in this urban complex.
- (4) There are a number of town groups more or less contiguous with separate existing municipal or panchayati raj authorities or none at all. For instance, the Dhanbad-Jharia-Sindri town group has a total population of 200618 and includes 10 towns with Dhanbad a municipality, Sindri and Jharia as notified areas and the rest with no urban local authority with population varying from over six thousand to sixteen thousand. This is a mining area which may admit of a wider planning

to form an industrial conurbation. There are other town groups in the country which may need varying orientation such as Kurichi Town Group in Coimbatore District with a population of 119,380 comprising of five panchayat areas, and one non-panchayat area.

- (5) Lastly we have the Metropolitan City regions which may include not only large urban areas including some urban local bodies, but also considerably large rural belts involving special problems of rural urban adjustment. Practically all cities with about a population of 5 lacs or over and some of the Corporation cities which have lesser population will fall within this group.

It will not be appropriate to say that for towns in categories 3,4, and 5 above there need be no relationship between the urban and rural local authorities. In fact the growth of such towns and cities affect the surrounding rural areas in a special way requiring vital adjustments of rural-urban relationships.

Demarcation of the Town, City and Metropolitan Boundaries

Where should the line be drawn for the town limit what principles should govern the extension of such boundaries? The practice has been to delimit the municipal boundary with reference to the existing built-up area or habitations. They are extended as and when building activities overstep these limits under pressure of industrial and commercial

extensions, mostly resulting in ribbon development along existing lines of approaches to the town leaving a large hinterland mostly undeveloped, suffering from urban blight. The extension of city limits cuts across the revenue village boundaries so that it is usual for part of the village lands to be taken into the municipal area leaving the village abadi site and part of the lands outside awaiting a further unplanned incursion in the form of land speculation and neighbouring villages. A new feature is the sanction of land development plans by the Panchayats obtained by land speculation agencies who corner land pockets and dispose them off to prospective builders.

Another aspect of the process is the coming of the new industrial townships and industrial estates that are physically inserted into a rural setting with their rigid well planned limits leaving the surrounding area to its own vagaries of chaotic slum growth without any municipal authority to step in. A report about Rourkela States that in May, 1959 there were over 43,000 sub-contractors' labourers living on the outskirts of the town erecting temporary shelters in colonies of their own. The area near the railway station was particularly congested with more and more shops opening daily.² New and rapidly growing towns often absorb many villages adversely affecting social life of many rural communities on the fringes, making

2. S.K. Bose - "Rourkela Township" in Public Administration Problems of New and Rapidly Growing Towns in Asia, UN report, 1962 p. 36

them a prey to increasing sub-urbanisation until they end up as mere adjuncts to the new towns³. The growing number town fails to provide for the absorption of a large number of people of low-income groups pushed out of rural areas and coming to city in search of employment opportunities leading to the growth of slums inside the town or in the suburban periphery creating long term problems of slum clearance. Nor is there any attempt to plan for and to provide municipal services, e.g. water supply, drainage, roads and transport etc. for the surrounding periphery or the villages around. On the other hand all available resources are harnessed to the need of the main city to the neglect of the peripheral areas.

All this evidently calls for an integrated regional approach according to the requirements of each category of towns and cities. "It would, therefore, appear desirable from the beginning to provide for larger rather than smaller limits for each growing town. This would bring the city and the hinterland within the same unit of planning and administration and, to extend the idea further, would facilitate the economic and social integration of a large surrounding rural area with the town on rational lines, thus enabling the town and the village to influence each other to mutual advantage".⁴

3. Manickam and others - New Towns in India, *ibid* p.22

4. Tarlok Singh "Rural Urban and Industrial Development" in India's Urban Future op.cit. p.333

What is to be the extent of this hinterland or "umland". For the small town, its primary umland would be determined by its nodality in relation to surrounding villages in respect of local trades, social and cultural contacts the service area but in their case the urban core is relatively small. For the growing towns, town-groups and cities, however, two factors have particularly to be taken into account viz. growth potential of a town in the light of its special functional characteristics involving future population estimates that have to provide for the next 20 or 30 years and secondly the area of immediate greatest influence affected by the progressive process of urbanisation. The former is the dominant factor in the case of new townships. In the case of industrial towns experience has underlines the needs of advance planning to providing not only for the main industry but also for ancillary industries and services together with their residential complement.⁵

A study of hinterland relationship of five Indian cities based on demographic data of 1951 has brought out the conclusion that "not only is accessibility a key factor in spreading the effects of urbanisation in the hinterland but there exists a grading of the degrees of urbanisation with accessibility".⁶ The area of influence has been classified into the inner and outlying wards of the city; the Belt being

5. Report on Industrial Township, Committee on Plan Projects (Buildings Projects Team), 1963, p. 10.

6. Richard A. Ellofson - "City Hinterland Relationships in India with special reference to Bombay, Delhi, Madras, Hyderabad & Baroda", in India's Urban Future, op. cit

the area immediately adjacent to the city proper, the Ribbon along the main highways and railway, the Secondary Roads and the Interstitial village area between the ribbons and secondary roads; each taken in order showing a progressive regression in such indices of urbanisation as density, sex ratio, literacy and dependence on non-agricultural occupations. The area under city influence is inferred "from the reaction of population characteristics to the dual forces of declining accessibility and increasing distance from the city". This only goes to show that proper planning and development of suburban region along with the city as a unit with proper communications will help to eliminate the interstitial backwardness and restrict ribbon development. At the same time two industrial centres not too distant from each other linked by suitable roads will tend to close the gap requiring the two or more such areas being grouped together in a single urban metropolitan complex. It is obvious that the limits of the town or city region shall have to be determined separately for each on the basis of socio-economic and physical surveys for preparation of a common master plan. In any case, it is essential that in determining the city boundaries, complete revenue villages should be incorporated in the city limits. It is possible that in some cases the city region may even cut across district boundaries. The metropolitan area of Calcutta covers municipal bodies and intervening rural areas of most of 24 Paraganas and Howrah

and parts of the districts of Nadia and Hooghly. Delhi's expansion is closely linked up with nearby towns in the adjoining States of Punjab and Uttar Pradesh.

Difficulties in Inclusion of Rural Areas in the City Region

The area to be converted for the Master Plan of a City Region is bound to include considerable areas, beyond the municipal limits, which though subject to the influence of urbanisation process, are still essentially rural and will continue to be so till the area is suitably developed according to the plan. The proposals for the extension of municipal limits imply the dissolution of the village panchayats affected and would require the concurrence of the panchayati raj departments in the States. The question of relationship of the peripheral rural areas with the growing town, therefore, assumes a new importance in this context. The rural people have their own fears and objections to their being brought within the city administration, which may be set out as follows:-

- a) There is fear of fresh taxation by the urban administration. On the other hand the urban authority neglects its rural areas in the matter of urban amenities, and municipal services continue to lag behind even in villages in the fringes of the town.
- b) As soon as an area is included within the city limits, it is deemed legally to be an urban area, and the benefits of all schemes of rural development are withdrawn from the area.

- c) Inclusion within the city limits will mean gradual absorption, acquisition of their lands and demolition of the villages.

On the other hand, the municipal authorities are often reluctant to extend their jurisdiction beyond the built-up areas for the reason that the tax revenue that is likely to accrue by inclusion of the village areas is far from being commensurate with the liabilities involved. The provision of urban services such as electricity, water supply, sewerage and drainage, transport and roads to the hinterland villages involve considerable capital costs which they are not in a position to afford. The Commissioner of the Poona Corporation explaining his experiences of the rural pockets already included within municipal limits pointed out that the property taxes derived from rural properties were meagre and the expenditure on providing even for such matters as paving of lanes, conservancy and street lighting was considerable. Even so the village people do not pay the property tax on the ground that they are not getting the town services, which it was not possible to extend. The Corporation lost an octroi also. He was, therefore, totally opposed to the inclusion of further areas within city limits. The experiences in Delhi, Kanpur and other towns which have sizeable rural areas included within their limits are not very different.

The objections of the village people to municipal taxation are not well founded. They are not required to pay water tax or drainage tax, as these taxes are contingent on the provision of these services. As regards the general or house tax, it may be mentioned that even the Panchayats Acts provide for their levy and the Santhanam Committee on Panchayati Raj Finance (1963) has recommended that house tax be made compulsory in all States. In most of the municipal laws in the country except those relating to Corporations, taxes are not compulsory and there are quite a large number of municipalities which do not levy the property taxes. It is also contended that the rate of property taxes for the rural area should be lower. It must, however, be remembered that a property pays the taxes on the basis of its rental value, which in turn varies considerably with location, use and the municipal services available to the property. The rental value of the village houses is far lower and the same accommodation in the village abadi pays much less tax than that in a developed urban area. For instance, in Kampur the assessed house tax at $8\frac{3}{4}\%$ of the annual rental value came to less than 150,000/- for all the 150 villages, the properties with a rental raised to 150/- (a rent of about Rs. 120/- per month for the whole house) the demand dropped to one-third and the collection was much less. No local authority can provide even elementary services without an appropriate level of taxation.

The dichotomy in the matter of amenities and municipal services in the rural areas included in the municipal limits is bound to persist depending on the accessibility and location of the villages, for the following reasons:-

- a) The gap between the village and the town is excessive and it will take some time even to provide the barest services such as drains, pavements, street lighting, educational and medical facilities etc.
- b) The work of development of land between the existing town and the future urbanisable area involves considerable finance and time for execution of works so that water and sewerage mains, roads and electricity are brought to the village itself.

The municipal authority has to provide what services are possible irrespective of the tax revenue from these areas. They must also take steps for the proper planned development of the surrounding areas along with the village sites in their own interests to prevent the growth of slums, which in due course may become too costly to liquidate. As regards costs of development no one expects them to be met from regular tax resources. They are capital works, the most of which is to be borne by the land developed, which it is presumed will be in demand in any growing urban areas. Municipal authorities have to be development oriented and loans should be available for undertaking development works, the investment being self

liquidating. While the progress has to be gradual an overall regional plan for land development and municipal services has to be drawn up in advance for a phased execution. It is obvious that this must result in increasing switch over from agricultural use of land to residential commercial and industrial uses and land is bound to change hands even if it were not acquired for planned development under the influence of urbanisation. Nevertheless, the overall plan can provide for:

- a) reservation of lands in fringe areas and green belts for some agricultural or pastoral uses to provide vegetables, fruits, milk etc. for the town;
- b) guarantee of fair compensation for acquisition of land and,
- c) village replanning and redevelopment or provision of alternative housing.

It is ^afact that the rural community development programme does not cover an area expressly included in municipal limits even though the area may have to retain its agricultural character for a long time after its incorporation within the urban units. It should be possible to overcome this difficulty by allowing the Community Development Programme to be continued in these areas as has been done in Delhi. The City should take over the block area as a going arrangement and the grants and services of the community development blocks should be made available. The Committee on Municipal Rationalisation in

Gujarat (1961) observed that it was not just that the farmers and cowherds of the city area should be denied the services and benefits of development schemes carried out by village panchayats. They suggested that frequent recourse to the procedure for extension of the town limit might be avoided if the Master Plan is made to cover the future urbanisable areas, but the municipal limits may be divided into two parts in respect of responsibilities of the municipality for (i) town limit i.e. the built up town area subject to usual municipal taxes where they will perform the usual municipal functions and (ii) the revenue limits to cover the rural area, where the duties of the municipality would be like those of Village Panchayats.

Pattern of Rural Urban Relationship

The purposes of including larger areas is to control land use and development according to a regional master plan and also, on the positive side, to carry out works for a planned extension of the town and development of places of residence and work. The alternative arrangements for this purpose can be:

- a) The rural local bodies may continue and undertake to enforce the regional plan, with coordination through joint committees and the like;

- b) The urban authority may exercise extra-territorial control on development in the entire area covered by the Master Plan without inclusion of the rural area within its boundary;
- c) The municipal authority should cover the entire limits of the master plan area as a single integrated body performing the functions both of an urban or rural local authority;
- d) The rural and urban areas may form the lower tiers performing routine functions in their respective areas with the higher tier to carry-out functions of planning, development and maintenance of major services of water supply, drainage, transport etc.

The rural area may be affected by an isolated overall agro-industrial estate and a local market-cum-shopping centre; or by the coming of a new industrial township with high urban potential; or by the expansion of existing municipal areas with varying potentialities of growth. The rural local bodies can as well argue of small industries and markets can continue to be administered by the Panchayats. There is a grievance that the areas which attain urban characteristic with high capacity for taxation are taken out of the rural local government set-up and it militates against the whole area being provided as a unit with a unified system of services. The Panchayats under their present acts are fully empowered to perform the functions required for such an area. The

resistance of the panchayats to part with their areas is likely to grow. Nevertheless it is clear that a panchayat area with growing urban characteristics will have to adopt a different approach as compared to that of a normal rural panchayat and it may be possible to treat it as a Nagar Panchayat as in Gujarat. But in respect of the other two types of urban development it will be necessary to create larger regional integrated units to ensure proper development. A panchayat has neither the personnel nor the proper perspective for exercising urban control. Much less can it undertake the positive tasks of development involving considerable finance. As regards the second alternative of a town controlling areas beyond its limits, experience has shown that such a control is ineffective apart from the question of conflicting jurisdiction. Nor will it be possible for the urban authority to undertake positive tasks of development without extending the limits of the city to include the respective areas. Under the circumstances the alternatives (a) and (b) cannot fulfil the objective in view. The choice in respect of the patterns (c) and (d) will have to be depend on the size and characteristics of the area and the nature of existing local authorities in the region.

THE URBAN FRINGE AND OUR LOCAL GOVERNMENT SYSTEM

by

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by

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Every town or city has a fringe, narrow or wide. Not every fringe, however, can be considered a problem fringe. The phenomenon of problem fringe is usually to be seen around growing towns and big cities. Instances are not rare where to avert the fringe problem, peripheral rural tract has been annexed by the core city thereby internalising the problem temporarily. Poona and Kanpur and a few other towns present this kind of situation. Delhi has more than 300 villages within its jurisdiction, but the Delhi problem is unique where boundaries of a Union Territory coincide with those of an urban local authority. In most cases, the fringe area becomes a problem area for the core city because of its location right at the periphery of the city. This area is marked by haphazard and unregulated growth, overcrowding, slums, ribbon development and traffic problems, insanitary conditions and chaotic uses of land. The fringe area, whenever discussed, is looked at as extended city area. The unregulated and haphazard developments and the insanitary conditions in the fringe adversely affect the core city. Free movement between the fringe and the city places the latter at a disadvantage. Its services and amenities are freely used by the residents of the former without caring to pay anything to the municipal coffer.

Various methods have been adopted and/or suggested to deal with the phenomenon of problem fringe. The more familiar methods are as follows. (a) Annexation of the fringe by the core city is a widely known solution, and in cities like Poona and Kanpur this method has actually been adopted. Annexation poses some problems which are discussed later. (b) In some States the core city has statutory authority to undertake planning and building regulations in the areas close to its boundary. For instance, under the Uttar Pradesh Nagar Mahapalika Adhiniyam, 1959 the municipal corporations have been authorised to undertake these functions within two miles of their legal limits. (c) States such as Bihar and West Bengal have provided for specially constituted local authorities to tackle urban growth beyond municipal boundaries. Under the Bihar and Orissa Municipal Act, 1922, notified area committees have been set-up in Jamshedpur and Jugsalai (Bihar). These committees consist of State Government nominees and function as de facto municipal bodies. Similarly, in West Bengal the Bengal Municipal Act, 1932 provides for the establishment of notified area authorities for administering areas undergoing or susceptible to urbanisation. (d) Special controlling authorities have been envisaged under the Uttar Pradesh Regulations of Building Operations Act, 1958. The State Government can constitute a Controlling Authority for a regulated areas with a view to prevention in that area of bad laying

out of land, haphazard erection of buildings or growth of sub-standard colonies or to develop and expand the area according to proper plan. The authority is to consist of both official and non-official members including members of local bodies. In West Bengal, the Calcutta Metropolitan Planning Area (Use and Development of Land) Controls Act, 1965 envisages similar controlling authority for the CMD. The State Government may appoint a Land Use Controller to enforce directions relating to land use in controlled areas.

There are also instances of joint committees of urban and rural local bodies to solve specific problems bilaterally.

Some other methods have been suggested by important committees and expert groups to deal with haphazard urban growth. Two high-power Central committees have paid attention to the problem of unregulated and haphazard urban growth beyond municipal boundary. Both were constituted by the Ministry of Health. The first committee viz., the Committee on Urban Land Policy suggested the creation of a high-power statutory autonomous urban development board or authority at the State level armed with the power of compulsory public acquisition of land. The board should consist of senior members of relevant State departments such as town planning, public works etc., and of important public men and local leaders. In the opinion of the Committee the principal executive head of this board should be vested with sufficient financial and executive powers. Thus, it recommended a multi-functional board at the

State level with or without local operating units. Planning and development of fringe areas would be one of its functions, but it is not exclusively meant to take care of these areas.

The second Committee, viz., the Rural-Urban Relationship Committee was more closely concerned with the governmental problems arising out of haphazard urbanisation. As it pointed out, "The urban process cannot stop at the edge of the municipal limits. In fact, most of the problems of urbanisation relate to haphazard growth and development in areas that lie within the administrative jurisdiction of Panchayati Raj Bodies". To solve the problems of unregulated urban growth, the RURC recommended that a region should be accepted as the area within which governmental and planning problems have to be viewed and tackled. The existing 'districts' were accepted as 'regions' for administrative convenience. Districts have been divided into two broad categories: those with substantial urban population, and others which are predominantly rural. For the district with substantial urban population a statutory planning and development authority at the district level has been suggested. The members of this authority would include the district magistrate, the president or chairman or mayor of major cantonment board municipalities and corporations within the district, the chairman and two other members of the zila parishad of the district and representatives of special interests like railways etc. For the predominantly rural district no statutory authority has been recommended. Instead, a special committee has been suggested

consisting of representatives of urban and rural local bodies and other special interests within the district. The chairman of the involved zila parishad will preside over this committee. For metropolitan areas and industrial complexes, with which the Committee wanted to deal separately, a separate planning and development authority has been recommended. The State minister of local self-government or urban development should be the chairman of the authority, which would consist of the representatives of the zila parishads, major municipal authorities and other important interests within the metropolitan area. The authority, it is suggested, should have a senior officer as its executive head who would be assisted by technical members in charge of planning, engineering and finance. So far as the special committee for the predominantly rural district is concerned, it is to be assisted by the State Government in drawing up regional plans and their implementation. But in the two other cases, the special statutory planning and development authorities should have sufficient powers and resources to prepare regional plans and ensure their implementation, to coordinate the activities of different agencies, and operate in respect of land acquisition, development and disposal and other important area-wide functions. Wherever possible, urban and rural local bodies would prepare detailed local plans in accordance with the guidelines laid down by the statutory planning and development authority. For metropolitan areas, the creation

of a single municipal government covering the entire region has been recommended as an alternative. The Basic Development Plan for the Calcutta Metropolitan District prepared by the Calcutta Metropolitan Planning Organisation of the Government of West Bengal has recommended that special development authorities should be set up to undertake planned development of both municipal and non-municipal areas falling within the Metropolitan District. This is a different method from what the RURC has suggested. Three development authorities recommended by the BDP are the East Bank Development Authority, the West Bank Development Authority and the Kalyani-Bansberia Development Authority. Essentially, these authorities would be in the nature of Improvement Trusts and their main functions would be to undertake urban renewal, area development, new township development and local planning within the framework of a metropolitan plan.

EVALUATION

Turning to the methods that have been adopted and suggested from time to time, it appears that these are classifiable into three types: (1) Solutions lie within the system of local government. Annexation and extra-territorial powers of the municipality over fringe areas belong to this type. (2) Solutions lie outside the system of local government and in special purpose bodies. Special controlling authority as envisaged in Uttar Pradesh and within the Calcutta Metropolitan District falls in this category.

(3) Solutions lie in a compromise between the first and the second types. The methods recommended by the Committee on Urban Land Policy and the Rural-Urban Relationship Committee fall in this last category. Annexation, exercise of extra-territorial powers and joint committees serve the purpose of internalising the fringe problems. These may be useful methods in limited cases, but their acceptance as a general policy is open to doubt. It will, be ruinous for poor municipal bodies to undertake additional responsibilities for the undeveloped fringe. Also the residents of the fringe are often opposed to annexation for fear of increased taxation and to the core city fringe development involves more cost than additional revenue-earning. Again, fringe growth is a shifting phenomenon which needs to be dealt with by more flexible tools. From this standpoint, the special purpose bodies are also area-bound. Given adequate resources, these bodies such as Improvement Trusts might be useful as stop-gap devices, although they do not have independent sources of revenue.

Of the suggested measures of the two official Committees mentioned earlier, the idea of a State level urban development board has almost gone unnoticed. Apart from the difficulty of finding resources for such a machinery, an important problem that this kind of proposal raises is: Where to place it in the organisational set-up of State Government? Rural local government and urban local government are in many States looked

after by separate departments. Unless there is a single State level department of local government in charge of urban and rural local bodies, it may not be easy for a functional agency like the proposed board to operate in the peri-urban areas. Again, a State functional agency may be useful at the field level rather than at the State level.

The Rural-Urban Relationship Committee has dealt with the problems of urban development in a more scientific way and from a broader perspective. The acceptance of 'region' as the wide interacting zone of rural-urban influences stands to reason, and the Committee's plea for making the planning area coextensive with the region is in line with contemporary thinking about regional planning and development. Virtually, a two-tier administrative system is envisaged by the Committee with a district level special statutory planning^{and}/development authority looking after major area-wide functions and the local authorities at the bottom undertaking purely local functions. The recommended administrative structure would eliminate chances of unregulated fringe growth, as the upper-tier authority will plan for the whole region including the peri-urban areas falling within it. But the device of a statutory planning and development authority at the district level is a purely ad hoc arrangement which is no substitute for an organic link between rural and urban local bodies. Provision for interlocking memberships between panchayat raj bodies and municipal authorities exist in most of the Panchayati Raj Acts, and even the Andhra Pradesh Municipalities Act, 1965

provides that a municipality must send its plan schemes to the zila parishad. So far, however, such arrangements have failed to achieve coordination between urban and rural local bodies. Again, the special authorities suggested by the Committee would consist of diverse interests; it may not be easy to weld them into a single operating mechanism. Without having any assured source of revenue, such special authorities may also find it difficult to work in practice.

Nevertheless, the Committee was correct in the diagnosis of governmental malady which stood in the way of regulated and planned urban development, and its approach to administrative reorganisation through a regional machinery, is above board. What is happening in a fringe area has got to be viewed from a wider perspective; for, fringe development is a part of broader urban-rural interaction in a society which is passing through an urbanisation process cutting across rural and urban boundaries. The governmental problems arises out of the fact that the fringe is, by and large, a no man's land from administrative point of view. Here municipal administration cannot reach and rural administration is at best a silent spectator. The Committee was right in suggesting the integration and coordination of the activities of urban and rural local bodies, particularly in the field of planning and development. However, integration cannot be achieved through a patchwork method. If rural and urban local bodies

have really to be integrated, one must think in terms of basic changes in our existing system of local government. Rural and urban local bodies are now thought in terms of contradictory systems rather than essential complementarities. What is needed, for a durable solution, is a composite system of local government that would remove the present dichotomy. In the English system of local government, for instance, the county and its constituent county districts are interlinked units working within a single legal framework. So far as India is concerned, one can envisage a system under which the zilla parishad would be an all-embracing body having within it both rural and urban bodies as constituent parts operating under a single legislation. Bigger metropolitan complexes may have to be treated differently. But, in all other cases, a composite local government system with rural and urban bodies forming complementary parts may be evolved. Proper functional distribution has to be done between a higher zila-parishad-like body which would undertake area-wide major functions, and the constituent units which would manage the purely local functions.

Thus, it may be possible to eliminate chances of unregulated urban growth and a solution can be found within the system of local government. Falling within the compass of a bigger body that would look after area-wide functions such as planning, a region will not have any planning vacuum which has so far been the main cause of haphazard urban growth in fringe areas. But, this is possible only if we are ready to forshake the present dichotomous system of local government and undertake to replace it by an altogether new one.

A NOTE ON CANTONMENTS AND THEIR
RELATIONS WITH MUNICIPAL BODIES

working paper
prepared by the

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A. NOTE ON CANTONMENTS AND THEIR
RELATIONS WITH MUNICIPAL BODIES

In India, the cantonments do not conform to the restricted dictionary meaning of a temporary quarter assigned for lodging of troops for manoeuvres etc. They are permanent military stations with sizeable areas housing civilian population brought in there primarily for serving the various needs of the military personnel. The management of the areas has, therefore, all along vested in the military officers Incharge of the Stations.

It would seem that the areas occupied were acquired in different ways. While some were acquired on payment of compensation to the original holders of the land, others came into the hands of Government by right of conquest or by appropriations. Yet others formed the subject of treaties with the ruling chiefs concerned. They, no doubt, seem to have started as temporary encampments and with a very meagre civil population. But as time passed and requirements increased, a bulk of civilian population of camp followers, domestic servants etc. was housed within the area. The magnitude of financial implications for developing large areas was enormous and the Government had to relax rules and allow private persons to erect accommodation in specified areas known as "Bazar Areas". The regulation confining the civilian population within Bazar Areas, was also as time went on, relaxed and civilians were allowed to acquire houses outside the bazar areas and in certain cases to live there and carry on their

business. For the provision of additional accommodation for military officers and civil amenities in cantonments even the private capital was invited and utilised and certain concessions including free grant of sites, were introduced. The houses built could, however, be claimed by government for purchases or hire for military use when necessary.

The original character of cantonments was considerably changed in course of time and need was felt to municipalise the administration of such areas. The cantonments Act of 1924 was a major step in this direction under which Cantonment Boards consisting of military officers and elected members in equal number were established to be presided over by the Officer Commanding the Station. These boards were charged with the responsibility of running the civic administration. The administration of law and justice was also transferred to State Governments.

The membership of the Cantonment Boards ranges between 3 to 15 according to the size of the cantonment. The general frame-work of this Act is similar to that of most municipal laws have been given to the Commanding Officers in the interest of maintenance of discipline and security. The powers of control are vested in the General Officer Commanding-in-Chief of the Command and the Central Government.

Later on, the Act was amended (in 1936) and the administration of predominantly civil areas was vested in a Statutory Committee called a "Bazar Committee" consisting of all elected members of one Board, the Health Officer and the Executive Engineer under the Chairmanship of the Vice-President who is one of the elected members. It may be mentioned that although the Board had an official President and nominated members, the elected element, which in every case constituted 50 per cent of the membership, exercised considerable influence in so far as "Bazar Areas" were concerned. This situation, however, did not satisfy the aspirations of the local civilian population and the Government of India decided to consider in detail the question of excision of bazar areas from the Cantonment Areas. The matter could not, however, be pursued in view of outbreak of World War II soon after.

After independence, the demand for fully democratizing the administration of cantonment areas with a bulk of civilian population gathered momentum and in August, 1948, the Local Self-Government Ministers' Conference passed the following resolutions:

- "(1) The conference recognises that for reasons connected with security and the health of the troops the areas where troops are quartered should be under the general control of the Army Authorities.
- (2) The Conference recommends that the Central Government should in consultation with the Provincial Governments concerned appoint a Committee to examine the question of delimiting the areas of cantonments and the desirability of amending the Cantonments Act."

In pursuance of the above resolution, the Government of India constituted a Central Committee on Cantonments under the chairmanship of Shri S.K. Patil in January, 1949. The Central Committee was required to make its final recommendations concerning:

- i) the re-demarcation of the boundaries of cantonments;
- ii) amendments of the Cantonments Act;
- iii) relevant general aspects.

The committee studied these questions in some detail and brief details of their recommendations on (i) and (ii) above are given below:

(i) Redemarcation of the boundaries

At the time of investigation by the Committee, there were 56 cantonments in the country, out of which 18 had a population of more than 10,000 according to the 1941 census. The Committee found that in a great many cantonments excision of the civil area was either not geographically feasible or it was too small to form a separate local body by itself having regard to the need for a reasonable standard of civil administration. A number of cantonments adjoined existing municipalities and the civil areas of these in some cases were completely contiguous. Having regard to all these aspects, the Committee decided to divide the cantonments in three categories as under:

<u>Category</u>	<u>Number of Cantonments</u>
I. Cantonments in which large civil areas redundant to the requirements of the Army could be excised and formed into a separate local body.	1 (Ambala)
II. Cantonments in which civil area is not large enough to constitute a local body by itself, but which can be merged in the adjoining local body.....	17
III. Cantonments in which the civil areas by reason of their size or situation are not covered by categories I and II above, and which may continue to be administered under the Cantonments Act 1924.....	38

(ii) Amendments to the Cantonments Act 1924

The Committee received a large number of proposal for amending the Act from Associations, State Governments, local bodies and individuals interested in the administration of cantonments. The proposed amendements covered broadly the following main features:

- I. further democratization of civil administration in cantonments;
- II. uniformity of procedure vis-a-vis municipal laws;
- III. removal of ambiguity in the construction of the various sections of the Act; and
- IV. delegation of powers of Cantonment Boards to their officers in respect of functions of a routine and urgent nature.

The Committee considered all the suggestions and made recommendation about certain amendments relating to various aspects indicated above. On the question of provision

of elected majority on the Cantonment Board and election of President of the Cantonment Board by the electors, the Committee observed that for "maintenance of satisfactory conditions of security, discipline and health among the troops, which are a necessary corollary to efficiency of the Army, no chance could be taken by transferring the administration to civil majorities. The report was submitted to the Government of India in November, 1951.

Steps were taken to give effect to recommendations of the Committee. Civil areas from six of the 18 cantonments mentioned by the Committee were transferred. The Civil Areas Committee consisting of elected members were given wider powers. Parity in the strength of elected and nominated members was introduced and elected vice-president presides during the temporary absence of the President, i.e. Officer Commanding the Station.

The enclosed statement gives the details of area and population of the Cantonment Boards and changes in population over twenty years (1941-1961) together with similar details in respect of the Town Groups within which these cantonment boards are situated. As per 1961 census, the Cantonment Boards would fall in the following population groups:

	Below 5000	5000- 9999	10000 to 19999	20000 to 49999	50000 and above	Total
Number of Cantonment Boards	15	11	15	12	6	59

Some more Cantonments have been added since the last Census.

All but 15 of the Cantonments listed in the enclosed statement, are contiguous of other municipal authorities and form part of a town-group. This naturally raises problems of relationships and coordination between the municipal bodies and Cantonments in matters of public health, administration, taxation and planning and development. It is not unusual to find the Cantonment boundaries running into the municipal boundary in a manner as to make it difficult to treat the area as physically exclusive from each other. It would not be unusual to find opposite sides of a road in the two respective jurisdictions. There is free movement of traffic and intermingling of socio-economic activities. Matters of building regulations, control of communicable diseases, enforcement of pure food legislations, and many other common civic affairs raise administrative issues requiring mutual cooperation of the municipal and cantonment authorities. Often the residents of one area depend or draw upon educational, medical, recreational and other civic facilities located in one area or the other. The State Plans for development of medical, education and industrial institutions do not take into account the requirements of the Cantonment areas, which are directly the responsibility of the Government of India in the Ministry of Defence.

In matters of revenue and taxation the identity or clash of interests is naturally more pronounced. Differences in the level of taxation and of licensing rates particularly in respect of vehicles that may ply freely between the areas are known to have created difficulties. Towns and cities imposing octroi duties and terminal taxes require some common arrangements with their adjoining cantonment authorities. The device of joint Committees, provision for which exists both in the Cantonments Act, 1924, and the numerous municipal acts in the country, has in many places been pressed into service. The use of this machinery, however, has not been extensive and has been limited to some matters of administrative and financial expediency.

Problems of overall planning and development as well as the preparation, execution and financing of major developmental projects in the field of Water Supply and Sewerage require special arrangements which do not exist at present. There has been some association between cantonments and municipal areas in regard to provision of water-supply, electricity, fire protection, city transport etc. as in the case of Poona, Secundrabad and Agra. Special arrangements were made for undertaking water-supply extension for the Jhansi Babina area. Sometimes water and electricity are purchased in bulk by cantonment authorities from the State departments concerned or a nearby municipal authority. But these ad hoc arrangements do not promote the proper planning and development of civic services nor is there any arrangements for larger city planning in a :

metropolitan setting. All towns and cities are fast expanding and the city limits have to be extended although cantonment limits may remain more or less stationary. It is necessary that cantonments while retaining their essential military character, should share the dynamism of the neighbouring municipal towns which are often State capital or important district towns and hill stations. There is need for coordination between the cantonments on the one hand and the contiguous military area on the other to ensure integrated planning and execution of major urban development projects.

The machinery of joint Committees is inadequate to meet the situation. There is need of larger area, planning and development authorities in which the constituent civic authorities are represented to be vested with the powers of common planning and preparation of highways, water-supply and sewerage projects which could be financially supported within the framework of overall national plan.

Details of population of the Cantonment Boards and the Town Groups.

ANNEXURE

S. No.	Name of Cantonment Board	Area in Sq. Miles.	P O P U L A T I O N			Percentage increase or decrease over 1951	Name	P A R T I C U L A R O F T O W N			
			1941	1951	1961			G R C U P.	Area in Sq. miles.	Population in 1961	% increase over 1951
1	2	3	4	5	6	7	8	9	10	11	12

CATEGORY - I

CATEGORY - II

1. Ambala.	14.00	62,415	54,043	1,05,543	(+)	12.23	Ambala	17.36	1,81,747	(+)	19.55	-
1. Agra	4.13	26,781	42,135	41,340	(-)	1.89	Agra	34.29	5,08,680	(+)	35.41	Dargah Bagh Swamy Bagh
2. Ahmedabad (both Civil & Military).	2.28	35,940	5,480	5,361	(-)	2.00	Ahmedabad	17.83	1,25,001	(+)	37.46	Berhga, Bafli, Bafli, Bafli.
3. Ahmed Nagar	7.8	16,225	24,402	Merged in Ahmed Nagar(M) in 1961 total P1,19,020			(+)	29.62				
4. Allahabad	7.07	14,466	20,036	17,529	(-)	12.51	Allahabad	31.45	4,30,730	(+)	29.62	Subedarganj Railway Colony.
5. Belgaum	2.40	14,431	16,717	18,905	(+)	13.09	Belgaum	5.40	1,46,709	(+)	24.58	-
6. Delhi	16.59	23,140	40,950	36,105	(-)	11.83	Delhi	126.08	23,59,408	(+)	64.17	New Delhi
7. Ferozpur	7.76	41,312	38,784	46,327	(+)	19.45	Ferozpur	11.32	97,932	(+)	15.62	Benbarnala
8. Jhanst	6.96	11,132	16,075	21,126	(+)	31.42	Jhanst	23.17	1,69,712	(+)	33.25	Jhanst Bagh Settlement.

1	2	3	4	5	6	7	8	9	10	11	12
9. Kanpur	5.98	34,829	45,158	56,830	(+)	25.85	Kanpur	114.54	9,71,062	(+)	37.66
10. Deolali	13.00	16,292	27,075	37,264	(+)	37.63	Nasik	49.34	2,15,575	(+)	37.41
11. Kirkee	5.11	26,285	48,552	58,436	(+)	20.48	Poona	65.65	7,37,426	(+)	22.83
12. Landour	1.12	1,206	1,417	1,389	(-)	1.38	-	-	-	-	-
13. Meerut	13.78	52,108	74,776	75,334	(+)	6.75	Meerut	21.58	2,83,997	(+)	21.79
14. Nanital	1.00	579	743	1,085	(+)	48.03	Nanital	5.53	16,080	(+)	22.81
15. Poona	5.36	40,447	59,011	65,838	(+)	11.57	Poona	65.65	7,37,426	(+)	22.83
16. Sagar	6.30	13,200	13,626	19,185	(+)	40.80	Sagar	15.33	1,04,676	(+)	30.73
17. Varanasi	1.88	3,164	4,543	4,781	(+)	5.25	Varanasi	32.66	4,89,864	(+)	37.69
18. Almora	9.26	766	641	598	(-)	6.71	Almora	3.1	16,602	(+)	30.14
19. Amritsar	1.10	1,429	2,484	7,992	(+)	221.08	Amritsar	19.10	3,98,047	(+)	18.43
20. Auranabad	3.74	9,280	8,687	10,122	(+)	16.52	Auranabad	19.52	97,701	(+)	46.62

CATEGORY III

Varanasi Railway
Col. B.D. Dix.

Kirkee Cantt.
Dopdi
Chinchwad.

Malvana

Poona Cantt.
Dopdi.
Chinchwad

Armapur Estate
Chakeri Aerod.
Nasik Road

Deolali. N.
Bhagpur, M.

Shenhartha

	2	3	4	5	6	7	8	9	10	11	12
4. Bekeht Cantt. PUNJAB	5.64	4,061	Discla-ssified	3,141	-	-	-	-	-	-	-
5. Barrackpore	1.42	10,978	16,189	16,912	(+) 4.47	% Barrackpore	4.50	63,778	(+) 49.58	-	-
6. Bareilly U.P.	6.61	12,162	13,404	13,204	(-) 1.48	Bareilly	15.41	2,72,828	(+) 31.41	M.R. Colony	Izat Nagar Colony
7. Cannanore Cantt.	0.69	*2,774	-	2,853	(-)	Cannanore	4.87	48,960	(+) 15.39	-	-
8. Chakrata Cantt. (Dehra Dun (U.P.))	6.17	957	1,283	3,194	(+) 148.95	-	-	-	-	-	-
9. Clement Town Cantt.	3.00	-	7,720	7,793	(+) 0.95	-	-	-	-	-	-
10. Dagshei Cantt. (Simla Hills)	1.28	1,047	1,445	2,783	(+) 92.60	-	-	-	-	-	-
11. Dalhousie	1.59	1,357	Declassified	2,699	-	Dalhousie	4.53	5,438	(+) 395.72	-	-
12. Dehra Dun	8.10	21,045	27,812	26,577	(-) 4.44	Dehra Dun	23.28	1,56,341	(+) 8.41	Forest Research Institute & College Area.	-
13. Dinapur Cantt.	1.35	9,736	13,514	15,058	-	Dinapur	8.51	70,766	(+) 21.11	Dinapur Nizamet, Khagaul Dinapur P.Y. Colony.	-

* It has not been shown as Town Group in the Census.

* As given in the Patil Committee Report.

1	2	3	4	5	6	7	8	9	10	11	12
14. Faizabad	7.60	2,417	5,916	4,579	(-)	22.60	Faizabad	19.76	88,296	(+)	7.08
15. Fatehgarh	1.60	9,838	6,127	6,798	(+)	10.95	Fatehgarh- had cum Fateh Garh	5.71	94,591	(+)	17.75
16. Jalapahar	0.50	*2,200	Not mentioned in the Census				Garh				
17. Jabalpur	7.20	38,112	34,225	41,014	(+)	19.84	Jabalpur	16.69	3,67,014	(+)	42.81
18. Jullundur	6.03	24,314	33,174	42,461	(+)	27.99	Jullundur	23.03	2,65,030	(+)	31.22
19. Jutogh Cantt. (Simla Hills)	0.56	634	-	1,487	-	-	-	-	-	-	-
20. Kamphee	5.78	4,681	4,857	5,784	(+)	18.84	Nagpur	12.12	6,90,242	(+)	42.25
21. Kasauli Cantt. (Garhwal U.P.)	1.60	2,749	4,007	4,102	(+)	2.37	-	-	-	-	-
22. Yoi Cantt.	3.95	-	13,520	10,292	(-)	23.88	-	-	-	-	-
23. Landsdowne (Garhwal U.P.)	2.35	6,174	4,419	6,381	(+)	44.40	-	-	-	-	-
24. Lebong	0.25	*1,545	Not mention in the Census								
25. Lucknow	10.58	25,883	37,371	40,150	(+)	7.42	Lucknow	52.29	6,55,673	(+)	31.96
											Charbagh- Alambagh

Thamaria Orance
Poctery

1	2	3	4	5	6	7	8	9	10	11	12
26. Mathura	4.80	3,816	7,221	8,229	(+)	18.68	Mathura	8.24	1,25,258	(+)	18.42
27. Mhow	3.88	34,828	44,655	48,032	(+)	7.36	-	-	-	-	-
28. Nasirabad	8.85	17,804	24,504	24,148	(-)	1.45	-	-	-	-	-
29. Pachmarhi Garh. U.P.	5.00	6,194	4,806	5,489	(+)	12.02	Pachmarhi	14.00	6,142	(+)	17.17
30. Ranganth (Hilar)	13.90	16,176	14,775	20,014	(+)	35.64	-	-	-	-	-
31. Panilhot	6.66	4,801	81,937	10,642	(+)	19.08	-	-	-	-	-
32. Reorka	3.35	10,030	9,835	12,150	(-)	23.31	Reorka	6.26	45,801	(+)	38.41
33. St. Thomas Mt. Cur Palavaram Garh.	2.22	5,317	15,125	15,790	(+)	4.44	Mount Alardur	6.31	63,702	(+)	49.27
34. Secundra bad	*11.3	*44,958	63,549	78,412	(+)	23.39	Hyderabad	85.06	12,51,119	(+)	10.77

Alardur, Palic-
varan Palavarthe-
ngel, Heenanbeler-
in Tirneclum.
Malkejeet
Patohregar Alwar
Kandhel C Mania
Unit. Mac. Alardur
Telaguda, Attapur,
Zamistapur,
Rowenpalle.

1	2	3	4	5	6	7	8	9	10	11	12
35.	Shahjahanpur	3.76	4,346	5,886	7,270	(+) 23.51	Shahjahanpur	7.41	1,17,702	(+) 12.27	
36.	Shillong	6.71	7,458	4,756	11,348	(+) 138.60	Shillong	8.21	1,02,398	(+) 75.00	Nongthymmai, Mawlai.
37.	Sahathu (Simla Hills)	0.93	2,101	2,585	3,211	(+) 24.41	-	-	-	-	
38.	Wellington	2.42	8,372	10,714	12,067	(+) 12.63	Coonoor Madras	16.30	52,952	(+) 53.05	Jagethala Cordinate Factory (Aravankadu)
OTHERS											
Not mentioned in the Patil Committee Report but mention in the Census											
1.	Babina (U.F.)	3.98	-	3,531	13,751	(+) 189.44	-	-	-	-	
2.	Badami Begh	2.18	1,809	4,202	6,596	(+) 56.97	Srinagar	19.14	1,95,084	(+) 17.69	Natipura - Hyderabad
3.	Jamrud	3.90	8,468	6,993	5,519	(-) 21.08	%Jammu	4.00	1,02,738	(+) 34.20	-

* As given in Patil Committee Report.

% Not indicated as a Town Group.

LOCAL BODIES AND STATE CONTROL

by

Deva Raj

(This paper was originally submitted at the Orientation Course in Urban Administration organised by the Department of Public Administration, Osmania University, Hyderabad in June, 1967)

LOCAL BODIES AND STATE CONTROL

Local Authority Vs. State Control

State-local relations have been plagued by the opposing advocates of local autonomy and an added dose of State interference and control to undo the mistakes and failures of municipal councils. Both view points are often carried to the extreme without recognising the need of evolving a machinery that will at once satisfy democratic aspirations and meet the challenge of urbanisation to give the citizen the necessary conveniences and urban facilities for healthful living.

The present position is a product of the past. It was in the field of local government that first concessions were given by the British to meet the rising aspiration of self-government and these little citadels of democracy were zealously guarded against the onslaughts of the alien bureaucracy whose intentions were never above board. On the other hand the municipal laws had not failed to provide for extensive safeguards against the erring municipalities. These powers of control covered a wide field from submission of report and returns and carrying out of any directions or instructions given from time to time to financial and administrative powers about sanctioning budgets and expenditure, ordering certain works to be carried out, removal of members and chairman and in the last resort dissolution and supersession, vesting the entire powers of the Board in an administrator appointed by the State Government. These powers of control have continued

and were retained in all municipal legislation since independence and their exercise is no less frequent.

Local autonomy must ultimately be related to the capacity of a local body to deliver goods. This requires a well-organised administrative machinery with all the technical and financial support. Local Bodies today have to depend to an increasing extent on the technical and financial support of the State Governments to enable them to face the growing complexity of urban problems. Moreover, most of the functions of the local bodies are also the responsibilities of the State Governments. Matter of education, public health, housing, communications and transport are matters which concern the local body as much as those of the State departments. There has been an increasing concern at the failure of the local bodies to perform these services and the tendency of the State Governments to rely increasingly on their own departments for implementing the schemes and providing the services. Local bodies are no doubt the appropriate agencies for the performance of these functions in their respective areas, but no programme of education, public health, housing and public welfare can make such headway without close cooperation between local bodies and the departments of the States. The provision of these services is the joint responsibility, a partnership in a common cause. Minor considerations of autonomous prestige should not stand in the way of strengthening the municipal machinery and obtaining all support for their efficient functioning.

On the other hand, the State Governments have all along played a negative role wielding a long rod which comes down heavily here and there without any effort being made for the education and training of the local bodies so that they can come of age and shoulder responsibilities in the local areas for providing to the fullest extent the local services and thus relieving the State Government of much of local responsibilities. It is a pity that even in the case of a large number of corporations in this country the only ultimate remedy that the State Government had was that of dissolution and supersession. Government has to choose between its policy of a complete take-over after a period of dissipation and waste, and providing the local bodies with necessary support and guidance, equipping them with the necessary administrative machinery and financial resources to work steadily to higher and higher standards of efficiency to meet the unfolding needs of maintenance of services and their progressive planning and development.

Strengthening Municipal Administration

State Governments have been criticised for encroachment into the field of local government both functionally and financially. There is a presumption and rightly so that there should be an increasing devolution of purely local tasks of government to the local authorities because they are in the best possible position to mobilise local resources and people's cooperation.

Moreover local problems have always some local solutions. But neither the State Governments nor the people have the confidence in the local authorities to deliver the goods. It is not unusual that the city may welcome the bureaucratic control of civic services. Local bodies must be suitably equipped for the tasks ahead and their popular and executive wings must inspire confidence of the public and the government. In fact, much of the powers of control reserved to the State Governments can be reduced to paper provisions of law if the functioning of municipal councils is sound and can attain the necessary standing and prestige of a government organisation. That the municipal councils have given sufficient cause for the exercise of these reserve powers only goes to strengthen the case for their retention.

The problems that plague our municipal government today cannot be solved without a concerted effort both on the part of the municipal councils and the State Governments to build them up as effective instruments of local government and administration. What are the key points that require attention? Without going into the very long catalogue of weaknesses in the municipal machinery, there are three essential matters that need to be attended to expeditiously:-

- (a) Ensuring the provision and retention of adequate qualified technical and administrative personnel, with necessary security of service capable of giving the best advice to the council without fear of favour;
- (b) Adequate and steady sources of revenue;
- (c) An administrative organisation according to needs of each city, capable of acting impartially and obtaining citizen support.

The Obligation of Local Councils

There is a tendency to presume that State-local relations is a one-sided affair depending only on the State Governments. Local Government reform is also the concern of the local bodies, and the development of sound and healthy traditions of State-local relations is dependent to a considerable degree on the attitudes and approach of the municipal councils as well as the municipal bureaucracy. For instance, the proposals for State-wide municipal cadres have been put forward again and again by a number of commissions and committees and the State Governments have hesitated to act because of the resistance not only from the elected councils who look at the proposals as an attack on their autonomy but even from a section of municipal employees with local roots and having local interests. It must be realised that the essential ingredients of an effective and efficient corps of officials is recruitment on the basis of merit with security of service, opportunities for promotion and the facility to act, without being hampered by extraneous influences. In fact the building up of financial resources and an effective administrative organisation depend on the quality of the municipal personnel and its freedom from local pressures. The municipal councils must realise the need for a politically neutral municipal civil service and they must allow it to function in the interests of the city. Partisanship must take a holiday in municipal - affairs. The only way to have it is to put the key positions in municipal administra-

tion above board through a system of municipal cadres under the control of the State Governments.

Similarly, the State Governments can hardly be blamed for encroaching into the field of municipal sources of taxation if the local bodies fail to exploit the sources assigned to them. If taxes are not imposed, or if imposed, the rates are far too low as is true in the matter of property taxes in most municipal bodies, there will be ample justification for the State Governments to interfere in local affairs by compelling the local bodies to impose taxes or enhance their rates and to assume powers to impose such taxes themselves. Again imposition of taxes alone will not bring the revenue due, if the annual value of properties is not properly assessed and the local interests are able to influence the municipal councils to secure lower assessments. The proposal for a central valuation agency under the State Government is decried again as an attack on the precincts of local self-government.

Another aspect of State-local relations is the extent of subsidies and grants that may be given by the State Governments. Most State Governments have not formulated a proper code of grants for local bodies, partly due to the failure of the local bodies to go all-out to raise their own resources on the plea that grants are only an encouragement to the ill-managed and in-efficient municipal administration. Again State support can hardly be expected for promoting municipal services such as water supply and drainage if the municipal councils are not

prepared to play their part in levying appropriate rates and charges to meet the cost of such services. There is need, therefore, for the municipal councils to create the right climate for a sympathetic and constructive policy of relationship between the State Government and the local authorities.

The Obligations of the State Governments

State Governments must also realise their responsibilities to the local bodies as senior partners in preparing the local authorities to discharge their obligations. There is need for revision of municipal laws to give the municipal bodies greater flexibility to act, and irksome orders and rules for obtaining sanctions and administrative approval involving long delays must be rationalised. They have depended too long in the determination of their policies towards local bodies individually or collectively, or sporadic incidents, complaints of vested interests or the occasional reports of the very busy local district authorities. The relations between the State Governments and the local bodies should be so managed as to ensure prompt and systematic notice of defaults and failures followed by appropriate corrective measures. There is need of direct and continuous means of contacts and consultation between officials of the Government and those of the local bodies to check pitfalls and to provide timely assistance and guidance. Recurring mismanagement or mal-practices must lead to expert enquiries to devise methods and administrative norms to avoid them.

The present organisation of local self-government departments in the States is not equipped to meet these exigencies. Nor the States have developed the required expertise to play the roll of friend and guide of the local authorities with an intrinsic interest in their administrative efficiency. This calls for an organisation at the State Headquarters with necessary field organisation. The Rural-Urban Relationship Committee has recommended a well organised Directorate in the following terms:

- (a) There should be a Director of Local Government a senior officers with experience of municipal administration;
- (b) The Directorate should have a personnel section to control and regulate municipal cadres and guide and advise local authorities about personnel management and training;
- (c) A central valuation section to guide and control the organisation of assessment of properties through field valuation officers and to act as appellate authority in the first instance;
- (d) A planning and finance cell to help local authorities prepare their Five Year Plans on a uniform pattern as part of the State Plan. It will also collect data, analyse information, prepare documents and research reports to provide the basis for decisions on policy and programme;
- (e) An Inspectorate at the District or regional level for maintaining local contacts and providing the link between the Directorate and the local bodies;
- (f) A General administration section under the Director, for exercising general supervision and control, receiving regular reports from the field, assessing the work of local bodies, checking up difficulties and bottlenecks and suggesting remedial measures. The section will also deal with matters relating to model bye-laws and rules and advise Government on changes in law relating to local bodies.

Once a Directorate is established it will be able to identify the problems that face municipal bodies in the context of the dynamics of the urban situation. But as pointed out above, this needs as much a change in the attitude of the municipal councils as in the approach of the State Governments to the status and functions of local bodies.

STATE LOCAL RELATIONS IN URBAN DEVELOPMENT

by

Mohit Bhattacharya

(This paper was submitted at the Seminar on Law and Urbanisation in India, organised by the Indian Law Institute at Allahabad in December, 1967).

STATE-LOCAL RELATIONS IN URBAN DEVELOPMENT

by

Mohit Bhattacharya *

The purpose of this paper is to bring out the actual working relationships between the State Governments and the municipal bodies in a specific operative field, e.g., urban development. The functional approach followed here is distinguishable from conventional generalistic or macro-study of State-local relations where the entire gamut of interactions between the two parties - State and local government is sought to be encompassed. Without getting bogged down into such meticulous details of State-Local relations in normal and emergency situations, the present inquiry focusses attention on the actual interactions taking place between the State Governments and the municipal bodies in the administration of urban development which, in turn, would throw some light on the more general problems of State-local relations.

The term 'urban development' has been used here to signify the provision of basic urban facilities in municipal areas such as (i) town-planning, (ii) land acquisition and development (iii) construction of roads, (iv) transportation and 'power', (v) water supply, and drainage and sewerage, and

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(vi) housing and slum clearance. Not all these facilities are, however, provided by the municipal bodies themselves. For instance, with a few exceptions such as the municipal corporation of Delhi, Bombay and Ahmedabad, most of the municipal bodies do not have the transportation service. The situation is much the same with 'power' also. Again, housing is not a municipal function in India, although corporations and municipalities/ mostly for the sweepers and menial staff. Also, land acquisition and development cannot be said to be a function undertaken by a majority of municipal bodies in India. So far as practice goes, slum clearance has perhaps a greater claim to be listed as a municipal responsibility.

Whatever powers and functions the municipal bodies have are statutorily delegated to them by the State Governments, and these are conferred on them from the States' constitutionally allotted jurisdiction. In delegating powers and functions, the States have chosen different institutions for different responsibilities. Thus, in no State would one find a single institution entrusted with the whole gamut of urban development responsibilities. Aside from the elected municipal councils and corporations, there are the improvement trusts, housing boards, water supply and sewerage boards, electricity boards, transport undertakings and even State departments - each of these being charged with one or more urban development functions. Such a multiplicity of competitive institutions in the field of urban ~~undertake~~ limited housing activities

development does give rise to important problems of horizontal coordination and inter-relations. This, however, does not fall within the scope of our discussion. Nevertheless, the existence of these diverse types of institutions in the same or closely allied operational field will speak of a contractionist rather than expansionist attitude on the part of the State governments toward the urban local self-governing bodies.

Urbanisation and Municipal Government

So far as municipal government is concerned, it is the municipalities and municipal corporations which are bearing the brunt of urbanisation. This is especially true of bigger urban centres which are faced with a tremendous population explosion due largely to rural-urban migration. Thus, during the period 1921-61, total urban population increased by 174 per cent but the corresponding increase in class I cities, i.e. those with a population of one lakh or more, was 400 per cent. According to 1961 census, there are 107 class I cities which contain 35 million persons or nearly 44 per cent of the total urban population of India.

Our municipal government has never been known for efficiency and good administration. On top of it, continuous pressure of population which in turn badly affected the urban local services and facilities, has thrown the machinery of municipal government almost out of gears. The already inadequate municipal services such as water supply, drainage and sewerage,

conservancy and others have deteriorated considerably and created serious problems of public health and sanitation. Illustrative of the crisis in our urban areas are these facts that not more than 35 per cent of the urban areas have adequate or partial water supply, and in only about 5 to 6 per cent of the urban areas there are sewerage systems, full or partial. It is estimated that 30 per cent of the population in cities having more than 5 lakhs of population live in slums. These figures amply point at the dismal state of urban living conditions which are deteriorating further with the steady growth of urban population.

Role of State Governments

As a recent committee report observes, "The deterioration in the services and amenities is inevitable as the local authorities have neither the necessary perspective nor the administrative machinery nor the resources to keep pace with rapid urban growth."¹ It is against this background of weak municipal government and mounting problems of urbanisation that the relationships between the State Governments and the municipal bodies have to be examined. For the sake of convenience, the relationships can be studied from three stand-points of law, administration and finance respectively.

1. Report of the Rural-Urban Relationship Committee, Vol. I, Ministry of Health and Family Planning, Government of India, 1966. p.48

Law:

The municipal Acts in India were framed long ago when there were hardly any problems of growing urbanisation. Even now the old municipal Acts are in force in such States as West Bengal (Act of 1932), Bihar (Act of 1922) and in Punjab (Act of 1911). After Independence many of the States, e.g. Assam, Orissa, Andhra, Kerala, Gujarat, Maharashtra, Rajasthan, Mysore and Uttar Pradesh (in respect of corporations only) have framed new legislations. But, not all these legislations were enacted keeping in view the need for endowing the municipal bodies with adequate powers and resources necessary for a planned and regulated urban growth. So far, it is the Maharashtra Municipalities Act, 1965, which seems to be the only new Act which was tried to breathe into municipal government some new ideas and concepts. Also, in proper contexts reference will be made to the commendable efforts made by the State Governments of Madhya Pradesh, Gujarat and Kerala to codify and systematise rules and regulations pertaining to grants-in-aid to municipal bodies.

It may be mentioned in this connection that in most of the States town development functions were not statutorily entrusted to the municipal bodies. For this purpose, the improvement trusts were created under special statutes. But, what the trusts actually did was piecemeal development and re-development which is a far-cry from comprehensive town

planning. Thus, laws were enacted to create competitive institutions without solving the real problems of overall planning and development of the urban areas. In recent years, a notable measure is the Uttar Pradesh Nagar Mahapalika Adhiniyam, 1959, which makes the municipal corporations responsible for city planning and development and vests in them the powers and functions of erstwhile improvement trusts that were abolished after the creation of the corporations. The other States that have endowed the municipal bodies with planning functions under the State town planning Acts are Madras, Maharashtra and Mysore.

Even where urban local bodies are statutorily empowered to undertake planning functions, such powers are exerciseable within their limited legal jurisdictions only. Consequently, in many of the growing cities and towns, actual urban growth has left their frozen legal limits somewhere behind. This situation has created an unbridged gulf between the planning areas and the planable limits. In Uttar Pradesh, the municipal corporations are empowered to extend their planning areas upto two miles beyond their legal jurisdictions. Even then, wherever bigger complexes such as the Calcutta Metropolitan District or Greater Bombay and some others are functionally and spatially inter-related with wide hinterlands, there is need for suitable legislations for creating agencies that will undertake planning and coordinated development for the entire city region. Only a few States like Mysore and Maharashtra have framed legislations for this purpose.

Administration

For administering their urban development programmes in the fields of water supply, drainage and sewerage, planning and so on, the municipal bodies have to depend very much on the State Governments. For, apart from normal State powers of making rules, issuing orders, approving bye-laws according to sanctions etc., the schemes of urban development are in most cases framed and implemented by the State Governments. In general, the municipal bodies do not have well-equipped departments consisting of properly qualified technical staff such as engineers, town planners and architects. Dearth of technical staff coupled with lack of financial resources leaves them with no other alternative than to look to State Governments for assistance - both technical and financial. It is heartening that in Andhra Pradesh, Madras and some other States, municipal posts in municipal bodies are being filled in from organised State municipal services or by deputing officers from State services.

The procedures that a municipality is presently to follow to communicate with the State Government are exceedingly cumbersome and time-consuming which stands in the way of adoption of expeditious measures to meet the urban challenge. Barring the municipal corporations, all other municipalities are tied to the apron-string of the divisional commissioner and/or the collector. To cite one instance of the long drawn-out procedure, in West Bengal a municipality that desires to undertake

a project for water supply or sewerage has to submit detailed plan and estimate of the project to a specially constituted Public Health Engineering Committee through the district magistrate concerned. The Committee, after considering the project, forwards it to the Health Department with its comments. The Health Department next consults the Finance Department and ultimately issues administrative approval. Where a municipality is unable to prepare its own scheme, this task is undertaken by the Public Health Engineering Section for which the municipality has to pay separate charges to the Government. The procedure is much the same throughout India and it has been found that in general takes 2-3 years to implement a municipal water supply or sewerage scheme. Apart from increasing costs involved in such delays, the tortuous and long-drawn-out process of negotiation and communication with the State Governments before and after the implementation of a project dampens the spirit of most municipal bodies who, therefore, think twice before desiring to launch an urban development scheme.

The present weaknesses of municipal government highlight the necessity for a well-equipped organisation for urban development administration in each State which would keep in close touch with the municipal bodies and offer them timely assistance and advice. As one eminent administrator remarks, "The state administration must look upon the local authorities of the urban centres (as indeed of the countryside as well) as partners in the programme of planned

development"². However, very few States have properly staffed organisations, both at the secretariat and field levels, which could assist and guide the municipal bodies. Moreover, the urban development functions such as housing and slum clearance, water supply, drainage and sewerage, road constructions etc. are entrusted to different functional departments at the State level, and in most cases no administrative device has been evolved to ensure coordination among the functional departments. Excepting Maharashtra which has created an integrated Department of Urban Development. Public Health and Housing, all other States suffer from fragmentation of responsibilities at the departmental level. For instance, in West Bengal which is currently engaged in urban and regional planning, there are at least four Departments viz. Local Self-Government, Health, Housing and Town and Country Planning, which are competing with one another in exercising authority over their respective operational fields. In such a situation each department tends to think in terms of specific functions only without bothering about the provision of other complimentary facilities which are looked after by sister departments. Instances are, therefore, not rare when in an urban area, rows of newly built houses remain unoccupied, because water supply and electricity are yet to be provided.³

2. S.G. Barve, "Urbanisation in Maharashtra State: Problems and a Plan of Action" in Roy Turner (ed.) India's Urban Future, 1962.

3. Such a situation is quite common in many of our growing urban areas which is due to fragmentation of functional responsibilities among a number of local authorities such as municipality, improvement trust, housing board & even State Dept.

Urban development is a composite and coherent the which is achieved through a harmonious blending of cognate services and facilities. Hence, it is imperative to have an integrated department of urban development at the State level which will have its field staff as well to keep in close touch with the municipal bodies and offer them timely guidance and assistance. In this connection, the Maharashtra model of departmental organisation deserves attention. Where integration is not favoured, permanent inter-departmental committees can go a long way in securing a coordinated approach to urban development. Another unique organisation in Maharashtra which may well be emulated by other States, is the Board of Urban Development constituted in 1964 with the Minister for Urban Development as Chairman and with 42 other members; official and non-official, including members of the various municipal and other local bodies, which "advises government on the problems of water supply, drainage and sanitation schemes, public health, housing, traffic and communications, education, commercial and industrial development, town planning, municipal finances, municipal staff (including the establishment of common staffing patterns) and social and economic measures for welfare of urban population."⁴

4. Urban Development in Maharashtra: Progress and Prospect, Urban Development, Public Health and Housing Department, Government of Maharashtra, Bombay, 1967, p. 102.

Finance

Urban development through the agency of municipal bodies involves undertaking of municipal capital development works. But, as is well known, our municipal bodies are financially too weak to make both ends meet. They fail even to run the normal administration properly. Their financial resources are limited by statutory conditions, and these are usually supplemented by tax-sharing with State Governments, and grants-in-aid. Although State control over the municipal bodies is considerable, State grants-in-aid, however, account for less than 20 per cent of municipal income.⁵ The financial condition of the municipal bodies is further worsened by weak and inefficient administration. Consequently, whatever limited resources are left at their disposal are not properly tapped.

At the other end, the State Governments stand as overlords, keen to keep the municipal bodies within the confines of law, rules and regulations rather than to stimulate, guide and assist them. There are elaborate financial rules and regulations handed down from the British days, an audit system which is based more on finding fault than on rendering advice and assistance, and an insistence on State sanctions and approval almost at every step. A typical restrictive regulation can be illustrated by the fact that in Rajasthan even when a budgetary provision exists, every municipal expenditure

5. Augmentation of Financial Resources of Urban Local Bodies, Report of the Committee of Ministers constituted by the Central Council of Local Self-Government, November, 1963. p. 140.

proposals exceeding Rs. 5,000 requires the sanction of the State Government. The restrictions are far more rigorous in the case of indebted municipal bodies.

Thus, municipal government is almost doomed to stagnation because of its inherent weaknesses and the negative role of State Governments. Successful participation of the municipal bodies in urban development administration would, therefore, necessitate an urgent change in both the directions. In this connection, it is relevant to quote a few lines from the Third Five Year Plan: "At the local level, municipal administration alone can undertake satisfactorily the task of providing the services needed for development in urban areas, expansion of housing and improvement of living conditions. Most municipal administrations are not strong enough to carry out these functions. They should be sufficiently strengthened by increasing their resources and personnel and by enlarging their jurisdiction and functions"⁶. Undoubtedly these lines contain a noble sentiment, but not many States have taken the follow-up measures to translate it into practice.

It may be mentioned that although municipal development schemes are generally left out of our five year plans, some plan funds do filter down to the municipal bodies through a handful of urban development schemes on water supply and sewerage, preparation of city master plans, land acquisition and

6. Third Five Year Plan, Planning Commission, Government of India, p. 693.

development, slum clearance and improvement, and urban community development.⁷ Obviously, such plan funds are quite meagre from the stand point of the needs of our municipal bodies, and under existing circumstances no spectacular increase in plan allocation can be expected on these social overheads which are accorded a low priority in the plans.

Specific Purpose Grants

Realising the need for the stimulation for specific municipal services, specific purpose grants for municipal capital works are offered to the municipal bodies by most of the State Governments. But the quantum of such grants is extremely meagre, and there is no regularity and certainty about these grants which are discretionary in nature and dependent on the state of States' finances. In fact, grants-in-aid to municipal bodies have never been systematised and codified in India. It is only recently that three States, viz., Madhya Pradesh, Gujarat and Kerala have tried to introduce a measure of system and certainty in this sphere. Even then, the State Governments in general express their inability to release specific purpose grants for municipal capital development projects. The Kerala Municipal Grants Enquiry Committee express the mood of the State Government succinctly,

7. For further details see Abhijit Datta and Mohit Bhattacharya, "A Functional Approach to Indian Federalism - Case Study of Urban Development", Indian Journal of Public Administration Vol. XIII, No. 2, 1967.

as it remarked, "it will not be easy to conceive of a recurring grant-in-aid system for our municipal administrations which would cover the capital cost of improvement works. The commitment too will be very large."⁸

Nevertheless, many of the State Governments are giving some capital grants to their municipal bodies. Thus, in West Bengal, for instance, the municipalities are offered two-third of the initial capital cost of a water-supply or sewerage project as grant; the corresponding figure for Kerala and Mysore is fifty per cent. The Madhya Pradesh Government is offering grant to the municipal bodies to the tune of thirty per cent of the capital cost of a water supply and/or sewerage project. Gujarat and Maharashtra have a variable percentage grant system on the basis of classification of municipalities. So far as other municipal capital works are concerned, e.g. road construction, housing etc., it is not possible to make any generalisation that would fit in with the situation in all the States.

It is noteworthy that of the three States, viz., Madhya Pradesh, Gujarat and Kerala that have introduced some sort of a grant-in-aid system, only Madhya Pradesh has laid down certain percentage grants for specific municipal developmental works. The other two States have laid down some grants formula for specific services; but apart from water supply and sewerage, the

8. Report of the Municipal Grants Enquiry Committee, 1964
Government of Kerala, Ernakulam, 1965, p. 32.

grants are all for the purpose of maintenance rather than development.⁹ These could as well be fitted into the general purpose grant system.

Problem of Loans

The problem of procuring loans for municipal capital works is equally great. Although the municipal bodies are not legally debarred from open market borrowing, their credit-worthiness stands in the way of such borrowing. Also, the Reserve Bank of India, and the Union Ministry of Finance exercise strict control over municipal borrowing in order to avoid competition with the loans raised by the union and State Governments. Owing to increased commitments under the plans the borrowings of the Union and State Governments are given priority, and the needs of municipal bodies are almost neglected. Often, the State Governments also do not favour municipal borrowing from the market which requires States' sanction and guarantee. Since an indebted municipal body has to submit itself to various financial control by the State Government, the municipal bodies, too, do not feel encouraged to go for loan funds for their development works. In this connection, the present Maharashtra practice needs special mention. Realising the difficulties of municipal borrowings, the Maharashtra Government has been contracting bulk loans from the Life Insurance Corporation of India and passing these over to the municipal bodies.

9. Government of Gujarat, Panchayats and Health Department, Resolution No. GIA-4064 - 2710 - p. dated 26th April, 1965; and Report of the Municipal Grants Enquiry Committee, 1964 op. cit., pp. 32-4.

Practically, it is the State Government which is the only source wherefrom the municipal bodies can get loan funds. Owing to increasing commitments under the plans and extremely tight financial conditions, the State Governments, however, are not in a position to transfer adequate funds to the municipal bodies.

In view of these difficulties involved in municipal borrowing, suggestions have been made for setting up separate institutions for the purpose. One suggestion is to set up State Urban Development Boards with initial capital drawn from total plan provision for urban development. The Boards can also raise funds from "private investors, trusts, commercial banks and so on by issuing long-term tax-exempt bonds backed by the full faith and credit of government."¹⁰ It appears, however, that there is a certain confusion about the Boards' functions which include, apart from fund raising the loan distribution, a long range of municipal and State functions such as undertaking of town development schemes, production and distribution of water, technical advice and guidance to the municipal bodies and so on.

A recent committee report contains a suggestion about the setting up of a Municipal Finance Corporation in order to meet the capital requirements of municipal enterprises.¹¹ The capital of the Corporation would "be subscribed by the Government of India, the Reserve Bank of India, the State Bank of India, the Life

10. Augmentation of Financial Resources of Urban Local Bodies, op. cit., pp. 28-30.

11. Report of the Rural-Urban Relationship Committee, op. cit., pp. 107-8.

Insurance Corporation, commercial banks and other financial institutions as also the local bodies." The Corporation is rather narrowly conceived, as it will be concerned with offering of loans for municipal enterprises only and not for other municipal capital works where loan funds are most needed. Again, municipal bodies being within the constitutional jurisdiction of the States, municipal credit institutions have got to be set up at the State level. An enabling Central legislation would of course, be necessary under Article 246(1) read with entry 43 of the Union List under the Seventh Schedule.

The need for medium and long-term loanable funds for financing municipal development works can hardly be exaggerated. Since some sort of a specialised banking institution in each State might serve this purpose well, it would be better to set up statutory municipal credit institutions independent of State Departments.¹²

Conclusion

Urban development will not be able to make much headway, if the municipal bodies continue to suffer from lack of financial resources and if the need for proper strengthening of municipal administration remains neglected. Our five year plans have so far consistently kept municipal development out of their scope. The approach has been toward functional

12. A well-argued case for independent municipal finance corporations at the States' level has been made out in "Municipal Finance Corporations in India," by A. Datta (unpublished paper submitted at the Osmania University's Orientation Course in Urban Administration, June, 1967).

stimulation rather than coordinated urban area development. It is high time that the latter approach is adopted and municipal development schemes are integrated into the five year plans via the State plan schemes. Centre-State relations which are governed by the provisions of the Constitution have undergone considerable changes in recent times due to the operation of the five year plans. There is a danger that integration of municipal development plan into the State plans would lead to the blurring of the already indistinct line that separates State Government from municipal government in India. Certain institutional devices such as the independent statutory municipal credit agencies, and municipal finance commissions¹³ for regularising transfer of funds from the State Governments to the municipal bodies can go a long way in promoting and preserving municipal "self-government". Even then, some sacrifice of municipal autonomy seems inevitable in this integration process which municipal government in India will have to make as a price for urban development.

13. Report of the Rural-Urban Relationship Committee, op.cit.
p. 88.

A GENERAL PURPOSE GRANT TO THE URBAN LOCAL BODIES

by

Abhijit Datta

(Paper prepared for the Souvenir volume in commemoration of the 6th Conference of Municipal Corporations at Trivandrum, September, 1967).

A GENERAL PURPOSE GRANT TO THE URBAN LOCAL BODIES*

by

Abhijit Datta

The need for a General Purpose Grant

Grants-in-aid to the urban local bodies in India have developed on specific lines as methods of compensation, stimulation or development. As a result, these grants have mostly been ad hoc and discretionary in nature, depending on the position of State finances. A happy departure from this tendency is to be found in Kerala where the legislation provided that "The Government may contribute to the funds of any municipality by way of grant such sum as may be fixed by Government with due regard to the needs of development and the cost of Municipal Administration and Services."¹

The Taxation Enquiry Commission, for the first time, recommended a general purpose grant to the local bodies, excluding the bigger municipalities and corporations, and viewed it primarily as a balancing device.² The Commission assumed that in the case of the bigger municipalities and corporations,

* Paper prepared for a souvenir volume in commemoration of the Sixth Conference of Municipal Corporations at Trivandrum, September, 1967.

1. Section 136 of the Kerala Municipalities Act, 1960.

2. Report of the Taxation Enquiry Commission, 1954-55. Government of India, Ministry of Finance (Department of Economic Affairs), 1955. Vol. III, p. 367.

the need for a general purpose grant from the State governments would not arise because of the already larger tax base and the possibility of assignment or sharing of State taxes. But as against this, the larger commitments of the bigger municipalities and corporations to provide civic amenities in the major urban areas also have to be considered. In fact, the dictum that "revenue without responsibility would be demoralising", is only a half-truth so far as grants are concerned. It is possible to devise ways to ensure that increased unconditional grants do not breed laxity or dampen tax efforts. On the other hand, when the recipient government cannot claim a share of tax imposed by a higher level government as a matter of right, there is no substantive distinction between shared taxes and grants.

What is important in a discussion on general purpose grant is to recognise that its purpose is limited to equalisation of recipient governments inter se. Given a situation of pronounced disparities among governmental functions and capacities in the urban areas, it is imperative on the part of the State Governments to introduce an element of equity, through the instrument of a general purpose or an equalisation grant, in the scheme of financial devolution to the urban local bodies.

Practices in different States

Since the publication of the Taxation Enquiry Commission's report, various States and Union Territories are experimenting with the idea of introducing a general purpose grant for the

urban local bodies with varied degrees of success.³ In some cases; as in Uttar Pradesh and Delhi, the general purpose grant is conceived purely as a budget balancing mechanism. In Rajasthan, a simple per capita grant of 50 paise is given. The Delhi scheme tries to tie-up the general grant with the additional tax effort of the municipal corporation by providing Rs. 3/- as grant for every Rs. 7/- raised internally.

Apart from these limited attempts, the more comprehensive and systematic schemes of general purpose grants to the urban local bodies have been introduced in three States - Madhya Pradesh, Gujarat and Kerala. In 1962, Madhya Pradesh announced the most comprehensive system of general purpose grants based on a per capita formula and grading the municipal authorities on the basis of population. This pattern has since been emulated by Gujarat in 1965 and Kerala in 1966 with minor changes to suit local conditions. The position with regard to all the three States is summarised in Table 1. (at the end)

Methods and bases of distribution

The recent introduction of a general purpose grant to the urban local bodies in Madhya Pradesh, Gujarat and Kerala marks a significant departure from past practice for the following reasons:

3. For complete account of the existing system of grants to urban local bodies, see Augmentation of Financial Resources of Urban Local Bodies, Report of the Committee of ministers constituted by the Central Council of Local Self-Government, Government of India (Ministry of Health) 1963, pp. 118-128.

- a) the grant is meant for general improvement of municipal services and administration;
- b) the basis of allocation is clear and unambiguous;
- c) there is a reasonable certainty of its continuation;
- d) the quantum of grant is related to the efforts of the local authorities, to exploit their own sources of revenue, especially the basis property tax.

All the above features were considered by the erstwhile Taxation Enquiry Commission. Although the Commission did not specifically suggest a per capita method of distribution of grants, the population index has come to be accepted in India as a rough measure of need. Factors like population density, nature of work force, age-structure, sex-ratio and such other refinements of demographic characteristics are not taken into consideration. Similarly, topography, general settlement pattern, economic base, etc. are also very important in determining the level of available local resources in an urban area. A simple per capita definition of needs, therefore, fails to consider these important differences in local conditions and could, in certain cases, run counter to the principle of equalisation.

The general purpose grant as envisaged by the Taxation Enquiry Commission and as practised by Madhya Pradesh, Gujarat and Kerala does not integrate the needs of the urban local authorities with their fiscal efforts and capacities. Such an integration would necessarily transform the present system of a simple index of population applied on a hierarchy of urban local authorities into a formula grant. The result would then be more

equitable, even if it means certain complexities in the initial stages.

All the three States, viz., Madhya Pradesh, Gujarat and Kerala, are aware of the problem of the unwillingness of the urban local authorities to utilise their tax powers fully and various coercive measures are suggested to tone up municipal tax administration. For instance, Madhya Pradesh makes it a condition that the urban local bodies must impose taxes prescribed by municipal laws and take all necessary steps for their realisation. Gujarat makes it a condition that per capita taxation levied by the municipalities must be increased between Rs. 12/- to Rs. 18/- within a period of five years, depending on its classification. In Kerala, the State Government has the power to direct any municipal council to levy property tax at a rate higher than the minimum rate of 10% if circumstances call for such action.⁴ Also, there is a proposal to create a central organisation for property tax assessment in Kerala.⁵ However, all these attempts are basically punitive in nature and are outside the administration of grants as such. There is no built-in mechanism within the system of general purpose grants evolved in the various States in India which rewards tax efforts and punishes laxity in tax administration. An interesting feature of the grant-in-aid

4. Section 132 of the Kerala Municipalities Act, 1960

5. Report of the Municipal Grants Enquiry Committee, 1964
Government of Kerala, 1965, p. 38

on dearness allowances to the urban local bodies in Gujarat is that it ties up the tax efforts with the grants formula so that municipalities with rates of property tax varying from 15% or more are entitled to 100% assistance. On the other end of the scale, no municipality with less than 6% rate of property tax is eligible for the assistance.⁶

Both in Gujarat and Kerala, attempts have been made to estimate the divisible pool of the State governments and the draft that various types of grants and shared taxes would make on the State budgets, although similar considerations have not been made of examining the local authority budgets individually. The net deficiency of municipal revenue has been calculated, on certain assumptions, in Kerala in aggregative terms. But even in Kerala, hardly any thought/seems to have been given on the possible impact of the total resource transfer to the individual urban local authorities in micro terms. Again, within the aggregate transfer of resources, the percentage of general purpose grants and shared taxes on the one hand, and that of the specific grants remains uncared for. Although, it is difficult to be dogmatic about the relative shares of unconditional and conditional grants - not to speak of the total percentage of such grants to the domestic resources of the urban local bodies -

6. Report of the Grant-in-aid code Committee for Municipalities, Government of Gujarat, 1964, p. 103; also Government of Gujarat (Panchayats and Health Department), Resolution No. GIA-1064-2710 P dated 26.4.1965.

some thought should undoubtedly be given to these issues so that laxity in tax efforts is not encouraged, nor does local autonomy become the victim of a generous system of State aid. A recent U.K. report suggests that the danger line might lie, depending on the character of local government, anywhere between 50 to 75 per cent of total income.⁷

Similarly, another study on grants in metropolitan Calcutta recommends 20% of the total income of the local authorities as safe limit for a general purpose grant.⁸

To sum up, it seems that the present trend towards a general purpose grant to the urban local bodies is based on a simple per capita basis, which fails to take into account the complexities of inter-local disparities in needs, efforts, and capacities. Suitable adjustments should, therefore, be introduced in the system so as to avoid distortion in local budgets and dampening of efficiency in local administration. For all these reasons, a formula-based general purpose grant is preferable to achieve horizontal equity among the urban local bodies inter se leaving the problem of long term equalisation to an equally rational system of plan assistance.

Machinery for allocation

The existing system of allocation of general purpose grants and shared taxes to the urban local bodies does not tackle the problem of uncertainty about the duration of

8. Abhijit Datta, Inter-Governmental grants in Metropolitan Calcutta, 1965, p. 32

a particular system for any reasonable length of time. This is true even when a respectable committee, as in Gujarat, recommends that the policy with regard to grants-in-aid should be reviewed periodically - at least "every 5 years in order to keep it upto-date."⁹

Apart from the need of periodical review and revision of the system, there is also the danger that any scheme of financial devolution, to be effective, must inspire confidence in both the layers of government - State and local - and such confidence is hard to come by unless the whole question of inter-governmental fiscal transfers is examined by a commission of experts following almost quasi-judicial procedures. There is, however, one difficulty with the experts in that they are not always sensitive to public opinion and the needs of development. For this reason, if for none else, it is necessary that such a commission must be headed by a respected popular leader. If this is done, then the needs of equity and development can be balanced satisfactorily.

Recent all-India reports on local finance have emphasised the creation of finance commissions at the State level. For instance, the Report on Panchayati Raj Finances recommended the creation of such a commission for the rural panchayats; while the Rural-Urban Relationship Committee recommended a similar commissions for the urban local bodies.¹⁰ It is worth considering whether there is any

9. Report of the Grant-in-aid Code Committee for Municipalities, Government of Gujarat, i op.cit., p. 62

10. Report on Panchayati Raj Finances, Government of India (Ministry of Community Development & Cooperation), 1963, and Report of the RURC; Government of India (Ministry of Health & F.P.). 1966.

need to appoint two high-level commissions to examine State-local financial relations almost at the same time every five years. Instead, a combined commission for both urban and rural finances would be able to resolve not only inter-local financial arrangements, but also adopt an integrated view regarding the entire system of inter-governmental finance at a sub-national level.¹¹ Incidentally, this exercise would be of immense practical use to the quinquennial Financial Commission and the Planning Commission at the national level.

Conclusion

Taking a cue from the Taxation Enquiry Commission's report, many States are actively engaged in devising a system of general purpose grants to the urban local bodies. More systematic attempts in this direction have been made in three States, and it is likely that other States would also follow suit in the near future. The experience of working of the general purpose grant to the urban local bodies is limited, but even the, certain issues of general nature have been raised in the hope of stimulating further discussion on the subject.

Although a bias has been expressed in the present paper in favour of a formula grant, rather than a per capita grant, no attempt has been made to suggest specific criteria to realise the formula. This is because any formula must take into account the peculiarities in a State, the nature of available statistics, and the weightage to be given to the relevant factors.

11. Abhijit Datta, Inter-Governmental Grants in Metropolitan Calcutta, op. cit., p. 32.

In any examination of a system of general purpose grant, it is also necessary to consider the other variants of unconditional subsidies, viz., the compensatory grants, shared taxes and supplemental taxes. This would leave out of account only the system of plan assistance to the urban local bodies in a systematic manner.

TABLE 1

GENERAL PURPOSE GRANTS TO THE URBAN LOCAL BODIES
IN MADHYA PRADESH, GUJARAT AND KERALA

(a) Madhya Pradesh

<u>Gradation</u>	<u>Per Capita</u>	
	Rs.	p.
i) Municipal Corporations	0	50
ii) Municipalities having population above 50,000	0	75
iii) Municipalities having population between 20,00 - 50,000	1	00
iv) Municipalities having population between 10,000 - 20,000	1	25
v) Municipalities having population below 10,000	1	50

(b) Gujarat

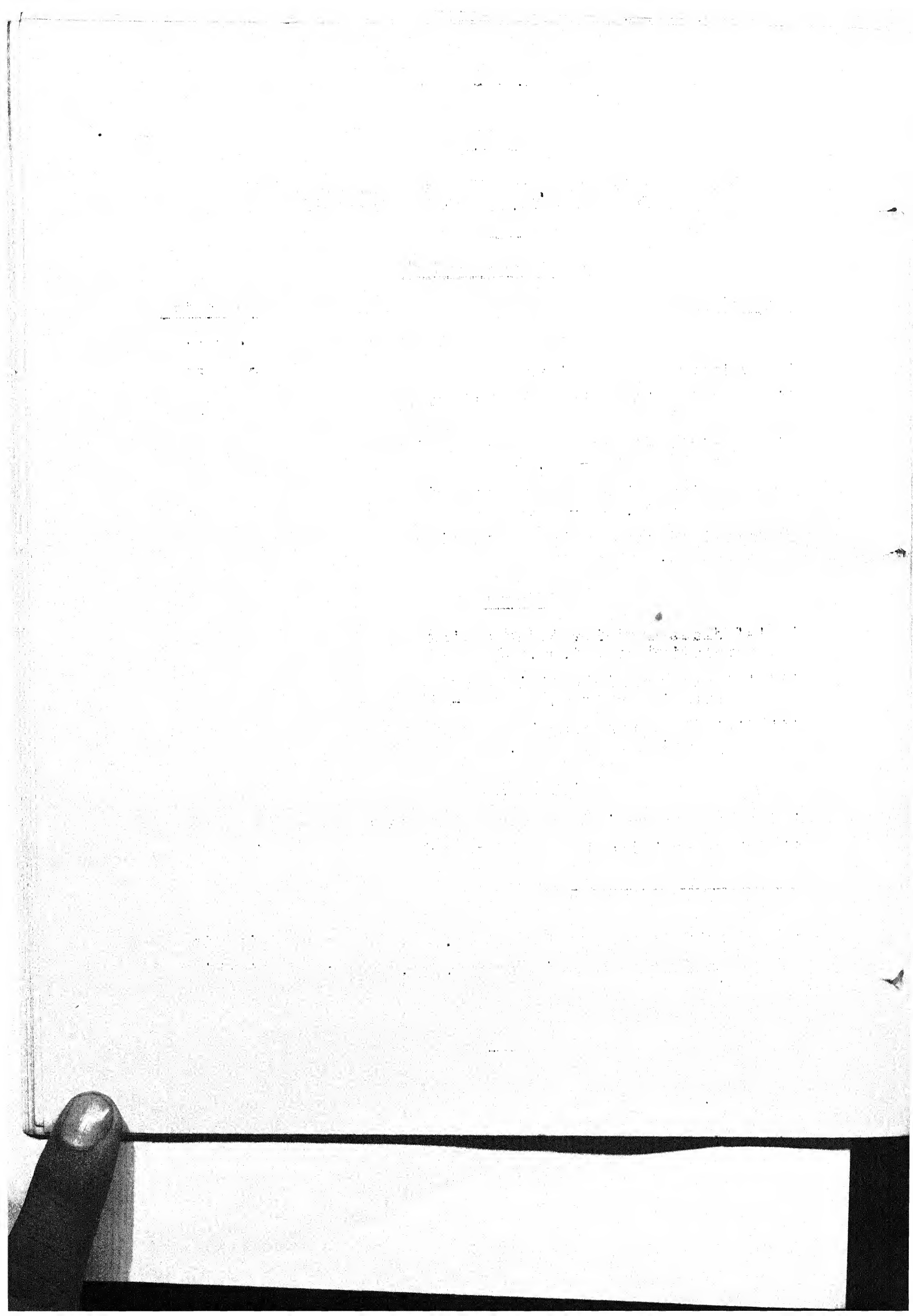
i) 'A' class municipalities having population over 1,00,000	0	30
ii) 'B' class municipalities having population between 50,000 - 1,00,000	0	45 *
iii) 'C' class municipalities having population between 20,000 - 50,000	0	60 **

(c) Kerala

i) Major corporations and municipalities	1	00
ii) Minor municipalities and township	1	50

* Subject to a maximum of Rs. 30,000 per municipality

** Subject to a maximum of Rs. 22,500 per municipality



CENTRAL CONDITIONAL ASSISTANCE FOR URBAN DEVELOPMENT

by

Abhijit Datta

(Submitted at the Seminar on Law and Urbanisation in India, organised by the Indian Law Institute, at Allahabad in December, 1967).

CENTRAL CONDITIONAL ASSISTANCE FOR URBAN DEVELOPMENT

BY

Abhijit Datta*

The Indian Constitution provides for organised revenue devolution to the States by way of tax-sharing and unconditional grants on the recommendations of a quinquennial Financial Commission. However, a provision for discretionary or conditional assistance, which was probably intended to cover only exceptional situations, is being increasingly used to channelise plan assistance to the States. The plan grants and loans, made on the recommendations of the Planning Commission, far exceed the statutory transfers through the Finance Commission mechanism with the result that the original scheme of financial devolution to the States, as envisaged in the Constitution, has in fact become obsolete.

It is in this context that we would examine the present system of conditional plan assistance to the States in the field of urban development, and suggest possible solutions to some of the unsolved problems. Such a micro-study has the advantage of bringing to light the operational aspects of the development process in the Indian federation. An earlier study has examined some major issues of Centre-State relations in the field of

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urban development¹. Since then, some modifications have taken place with regard to plan schemes which will be considered here. The scope of the present paper is limited to an analysis of the existing system of conditional assistance in urban development in the context of the five year plans. The term urban development includes "the creation and stimulation of basic facilities, for the promotion of comprehensive areal development of the urban nuclei in the country."²

Nature of Existing System

The components of urban development fall, by and large, under the constitutional jurisdiction of the States. From 1854, when the first scheme of urban water supply and sanitation was announced, all the other schemes on housing, land acquisition and development, slum clearance and improvement, city master plans, urban community development, city development and housing statistics have also been drawn up by the Centre for distribution of plan assistance to the States. Till 1966-67, three of these schemes were categorised as "Centrally sponsored", and the rest six schemes formed part of the "Centrally assisted" sphere of the States' plan, with varied types of assistance formulae and conditions attached to each of them. From April 1967, however, all the three "sponsored" schemes were transferred to the "assisted" sector with ties fixed on each of the schemes. In addition,

1. Abhijit Datta and Mohit Bhattacharya, "A Functional Approach to Indian Federalism - Case Study of Urban Development," Indian Journal of Public Administration, Vol. XIII, No. 2., 1967
2. Ibid

two new schemes for housing statistics and city development were added to the list; the latter with a tie. The existing schemes on land acquisition and development belonging to the assisted sector also got a tie fixed on it. The position may be summarised as under:

Table I
Status of Urban Development Schemes
in the States' Plan

<u>Scheme</u>	<u>Pattern of Central Assistance</u>	
	<u>Grant</u> <u>%</u>	<u>Loan</u> <u>%</u>
(a) <u>With a tie</u>		
1. Slum clearance & Improvement	50	50
2. Preparation of Master Plans	100	-
3. Urban Community Development	50	-
4. Land Acquisition & Development	-	100
5. City Development	-	100
(b) <u>Without a tie</u>		
6. Subsidised Housing	50	50
7. Loan Housing for low income group; middle income group, rental housing for State employees.	-	100
8. National Water Supply & Sanitation		
i) Water Supply (Urban)	- *	100
ii) Sewerage	25	75
9. Housing Statistics	50	-

* For schemes having composting as an integral part.

Under the new arrangements, the matching requirement of 12½% by the States for the slum clearance and improvement schemes has gone instead, the Central Government would be willing to increase its grant to that extent. All the loan housing schemes have been integrated and, in the process, the low income group housing schemes would be eligible for 100% loan, instead of 80% as before. It is presumed that all the loan housing schemes, as well as the urban water supply and sanitation schemes, would be eligible for financing from non-plan sources, such as the Life Insurance Corporation. The two schemes with matching provisions are for urban community development and housing statistics.

Issues and Problems

(i) Statutory Basis: As indicated earlier, when the constitution was framed, the possibility of large-scale conditional financial assistance to the States was not envisaged. Later on, when such a need arose, resort was taken to utilise Article 282, which was intended only as a permissive device, to validate such fiscal transfers. Apart from the suggestion of incorporating a new article in the Constitution to specifically provide for allowing conditional assistance to the States, the real issue is whether or not to utilise the normal constitutional machinery for this purpose as well, by making all normal plan assistance as statutory. The artificial distinction between statutory and non-statutory grants has created a situation

whereby "the States which have surpluses under the Finance Commission award question the estimates of the Finance Commission, thus leading the Planning Commission, a non-statutory body, to pass judgement over the assessment of a statutory body like the Finance Commission following almost quasi-judicial procedures."³

Under the present arrangements, there is no opportunity to discuss the details of the plan schemes in the Parliament, mainly because of the non-statutory nature of these grants. Also, in the absence of inter-State compacts or Centre-State agreements, there is no limit, except political, or central incursions in the States' fields of activities. Even when a particular schemes is meant for a short duration, there is no harm in providing a legislative backing to it, so that when the purpose of the assistance is fulfilled, the supporting law would automatically lapse. A likely development would perhaps be the amalgamation of all related schemes under a broad legal umbrella- like the American Housing Acts - consolidating the various urban development schemes.

(ii) Administration of Central plan assistance: In the administration of the Central plan assistance, including those for urban development, a tendency is already noticeable of vertical integration of Central ministries and their correspon-

3. G. Ramachandran, "Union-State Relations in Finance and Planning" Indian Journal of Public Administration, Vol. XII, No. 3, 1966.

ding State departments.⁴ In the field of urban development, such Central administrative responsibilities take the form of fixation of standards and regulations, detailed scheme formulation; staffing patterns and pay scales. Further Central inroads have not taken place because of the paucity of technical staff in the Central ministries, and possibly also due to political opposition from the States. So far, Central control has taken the form of only financial scrutiny of the schemes, and marginally technical screening, as for example, in the case of urban water supply and sanitation projects. Here we are faced with the dilemma of Cabinet responsibility at the States' level at administering centrally financed projects, and financial responsibility of the Central ministries to the Parliament. The way out is not to leave this important issue to the political arena, but to think in terms of formalising the Centre-State financial relation through agreements, as suggested above.

(iii) Categorisation of Central Plan Assistance: We have already noted that recently three urban development schemes have been transferred from the "sponsored" sector of the Central plan to the "assisted" sector in the States' plan. This is a welcome change. However, in spite of the recent reduction in the number of centrally "sponsored" schemes,

4. Datta and Bhattacharya, op. cit., and K. Santhanam, Union-State Relations in India, 1960, p. 54

their total number during the Fourth Plan period comes to about 90, which in financial terms represents about a fifth of total Central plan assistance to the States. A strict interpretation of the Constitution might raise doubts about the constitutional propriety of the "sponsored" schemes, with or without matching conditions. If the consensus in the country is to reshuffle the Central and States' functions, and to give unquestioned supremacy to the Centre in respect of certain fields, then the proper course is to amend the Constitution and not to sabotage it through a fiscal device. One can understand a few pilot and demonstration projects to be "sponsored" by the Centre merely for a limited period, but the inclusion of a heterogeneous medley of open-ended schemes is a planning monstrosity in a federal set-up.

Although the "sponsored" category has been abolished in respect of the urban development schemes, the haphazard application of ties to most of the transferred schemes remains unexplained. Since viement is not possible between a tied schemes and an untied one, all that happens is that in the untied category there is freedom of diversion from one head to another by the States. Although, in the process, the States lose the Central grants attached to the schemes diverted, but, if they attain the plan target, the balance is met from the Miscellaneous Development Plan. So, only the internal distribution of grants and loans is affected - the really significant figure is the total quantum of Central assistance. In other

words, the various patterns of assistance in the untied category of the States' plan have no meaning, except for determining the initial quantum of Central assistance. What all this complicated procedures mean is simply this - only in the tied category the plan assistance retains its conditional character and in the untied sector such assistance becomes largely unconditional or general purpose. If this is the case, then we would argue to explicitly recognise this phenomenon in the Centre-State financial relations. Under the Constitution, it is the duty of the Finance Commission to allocate, or to recommend the bases for allocation of, unconditional grants. But, through a terminological distinction between "plan" and "non-plan" assistance, the Planning Commission has come to exercise a sway in the field of unconditional assistance as well. Although there is nothing in the constitution debarring the Finance Commission from considering "plan assistance" also, in its scheme of financial devolution, practical expediency has in fact prevented such a course being adopted.

If the purpose of Central conditional assistance to the State is to stimulate certain chosen fields of State activity to conform to national needs and standards, then the number of tied grants should be limited to a minimum. While no diversion can be allowed from a tied to the untied sector, the reverse would be welcome. The basic distinction between the tied and the untied sector is not only that the former represents true conditional assistance,

but also that in the former category national needs and priorities predominate. Keeping this in view, only about half a dozen sectors such as, food production, family planning, multi-purpose projects etc., could be selected for retention in the tied category and the rest transferred to the untied sector. There will thus be necessity to formulate detailed schemes only for the tied schemes, and in the untied sector, assistance could be given for broad heads of development combining all the related schemes already in existence.⁵

(iv) The loan component in Central plan assistance: Three urban development schemes - on slum clearance and improve, subsidised housing and urban sewerage - shown an amalgamation of grants and loans. This mixture, however, is purely accidental. The relative share of central grant and loan for the States' plan is determined on the additive basis of the patterns of assistance. If the total of such assistance falls short of the promised Central assistance for the States' plan, the balance is met from the Miscellaneous Development Loan.

Apart from the Miscellaneous Development Loan, the easier lending policy of the Central government since the Second Plan, whereby the financial productivity criterion of debt financing is no longer insisted upon, has also aggravated

5. Similar suggestions have also been made in the United States, vide James A. Maxwell, Fiscal Impact of Federalism in the United States, 1946, p. 390.

the problems of States' indebtedness. In the sphere of urban development, where the investments are in the nature of social amenities rather than financially productive schemes, both the foregoing practices are in operation. With the increasing load of plan loans, the States have taken the view that the Centre would ultimately waive not only the interest on borrowings, but also the repayment obligation of the States.

In other words, owing to the exigencies of planning, both the Centre as well as the States have joined hands in bidding good-bye to financial prudence, and what is more serious, in lightly treating the lending and borrowing limits as provided under Articles 292 and 293. The inevitable result of all this is that State borrowing from the Centre has become a subject of political bargaining. It is for this reason that Santhanam suggested that the capital budgets of both the Centre as well as the State should be handled by the Reserve Bank of India "Whose powers would be defined and limited precisely by statute."⁶ Alternatively, one can think of establishing development banks in certain defined spheres on the model of the Industrial Development Corporation, created in 1964 as a subsidiary of the Reserve Bank of India. In the field of urban development also, such development banks could be started in each State with the joint participation of the Reserve Bank of India, the Life Insurance Corporation and the State Governments.

6. K. Santhanam, "Capital Budgets: Case for New Safeguards", The Times of India (Delhi Edition) October 14, 1966

Conclusion

The present paper attempted to discuss some broad issues and problems of Central conditional assistance as experienced in the field of urban development. An exhaustive treatment of some other fields, such as agricultural development, where such assistance takes a varied form, would perhaps reveal other interesting problems as well. However, it is unlikely that the general issues would be materially different, and hence, our broad generalisations are offered in the context of the existing Centre-State financial relations in India in the mid-sixties.

Throughout the paper the basic tenet has been that the Central conditional plan assistance to the States have grown during the last 17 years of planning without much of a system and the Centre-State relations in this sphere have taken place largely outside the framework of the Constitution. This has given rise to complications and the initiative and solutions to the problems have been left to the political forces, rather than to a neat arrangement within the confines of the Constitution. With the changed political climate in the country and the emergence of powerful States, acting singly or in concert, the problems of plan assistance to the States cannot be solved on a long-term basis, unless the Centre-State relations are formalised. Flexibility of planning is necessary for certain purposes, but this flexibility also must operate within certain norms and limitations.

Experience of the older federations with regard to the conditional grants and other assistance to the States is instructive, but not always quite relevant to the Indian situation. However, one lesson seems clear. In all the three older federations - the U.S.A., Canada and Australia the administration of federal conditional assistance has had a chequered history and its success has not come by easily. The relative success of the Commonwealth grants to the States in Australia is mainly due to the untiring efforts of the Australian Grants Commission since 1933. If the scope of the Indian Finance Commission is enlarged to encompass the scope and emulate the method of its Australian counterpart, the present confusion and duality in Central financial devolutions to the States would be largely a thing of the past.

MUNICIPAL FINANCE CORPORATIONS IN INDIA

by

Abhijit Datta

(This paper was originally submitted at the Orientation Course in Urban Administration organised by the Department of Public Administration, Osmania University, Hyderabad in June, 1967).

MUNICIPAL FINANCE CORPORATIONS IN INDIA

by

Abhijit Datta

Introduction

Of late there has been increasing awareness regarding the need for a central agency to channelise medium and long term credit to the municipal authorities in the country. One recent report, for example, recommended the creation of municipal finance corporation to finance the capital requirements of municipal enterprises.¹ The implications of such a recommendation cannot be considered without also surveying the need of the urban local bodies for borrowing and also the existing institutional arrangements in that context. If the existing municipal borrowing arrangements are found wanting to cater to the present needs, then only one can think of alternative arrangements, both in the light of experience abroad as well as the conditions prevailing in India. The workings of municipal credit institutions in a number of countries, both developed and developing, have not received enough attention in India so far. It is proposed to examine the relevance of such institutions to solve some of the pressing problems of financing urban development.

I. The Pros and Cons of Municipal Borrowing

The need for municipal borrowing arises because of the substantial capital requirements for financing local development

1. Report of the Rural Urban Relationship Committee, Vol. I
Government of India, Ministry of Health & F.P., 1966. pp. 107-

projects in the urban areas on water supply and sanitation; urban roads, bridges and transportation; gas and electricity; land development and housing construction; markets and shopping centres, etc. It is true that many of these activities are not the exclusive preserves of the municipal authorities. Special purpose bodies, as well as the State and Central government departments are also directly involved in many of these fields.

Under the various plan schemes for urban development many of the urban projects are being financed either wholly or partially from plan funds in the shape of grants or loans from the Centre. Apart from plan financing of various urban development schemes, several non-plan sources are also closely related to specific types of activities. For instance, a substantial portion of loanable funds for housing comes from the Life Insurance Corporation, provident funds and so on.

The urban local bodies depend almost exclusively on the State governments for the supply of loans, and the funds available to the State governments for such purposes are meagre. Moreover, the Reserve Bank of India rigidly controls the borrowing operations of the municipal authorities in order to avoid unhealthy competition with the gilt-edged securities.

The borrowing powers of the urban local bodies are governed by the Local Authorities Loans Act, 1914 - a Central Act - and the rules framed under the Act. In addition,

many of the States have their own acts and rules on municipal borrowing, which more or less conform to the Central legislation. Under section 3 of the Act, the purposes for which the local authorities can borrow are municipal works, relief operations, prevention of epidemics and repayment of previous loans. The proceeds of the loan must be applied within the area of operation of the local authorities and the amount of loan must not ordinarily exceed Rs. 5 lakhs when it is raised from the market, and Rs. 25 lakhs when it is provided by the State Governments. The period of repayment for market loans is 30 years. In case of city corporations there is no upper limit of borrowing under the Act and the period of repayment varies from 30 to 60 years.²

No urban local authority can go to the market without the explicit sanction of the State Government regarding the terms and conditions of loan to be raised. During the period a municipal authority is indebted, it is usually subjected to various financial controls by the State Government. The rate of interest charged by the State Governments is usually the bank rate plus one per cent as guarantee charge on government loans. In case of market borrowing with a State guarantee, the Reserve Bank of India does not permit payment of a higher rate of interest than the market rate for ordinary government

2. The acts governing the city corporations have various limits of borrowing defined either as a percentage of total annual value of land and buildings or as a definite monetary limit prescribed.

borrowings. Also, the Union Ministry of Finance generally disfavours market borrowing by the city corporations more than once a year and wants the Reserve Bank of India to settle the timing of such borrowing, its period and other terms and conditions.

To sum up, the municipalities and the smaller urban local bodies generally borrow only from the State governments, although legally they are not prohibited to borrow from the open market. The city corporations are in a somewhat favoured position in this respect, but in practice these have to satisfy both the State and the Central governments as to the need and bonafides of such borrowing. Borrowing by the urban local authorities has become complicated in recent years owing to the increased borrowing needs of the Centre and the States due to the enlarged commitments under the plans. One additional complication in this respect arises because the borrowing programme of the local authorities cannot be suitably phased and integrated with those of the State governments in the absence of complete integration of local development plans within the framework of the five year plans. Moreover, the loan components of the various plan schemes are not determined in accordance with any rational or scientific principles of financing, but arises out of a loose notion of what can be legitimately financed through borrowing. Similar confusion is also noticeable in the Local Authorities Loans Act, 1914

which permits the local bodies to undertake relief operations and prevention of epidemics with borrowed money. Even the repayment of old loans should properly be a charge against current revenues, and not an occasion for contracting fresh borrowing, unless the maturity structure of loans is to be altered.

Regarding the credit-worthiness of the urban local authorities, there is also similar misunderstanding. Since the entire borrowing operations of the municipal authorities are rigidly controlled by the State governments and the Reserve Bank of India, and sometimes also by the Central government, one can legitimately ask the question as to whether the credit of an urban local authority can be assessed independently of the credit of the State government. One can go a step further and argue that, under the compulsion of law and urban local authorities have to keep a minimum revenue surplus over their current expenditure and, therefore, it is impossible for them to go bankrupt. In actual practice, of course, all market borrowings by the urban local authorities are backed by State guarantees.

II. Alternative Arrangements for Municipal Borrowing

It is quite clear that the existing arrangements for providing medium and long term loans to the urban local bodies are far from satisfactory. The plan allocation for loans for the urban development schemes are meagre and, in any case, these are to be supplemented from other non-plan sources of

financing. The State governments are also not in a position to estimate any length of time. Their own resource position is also far from adequate to allow large-scale transfer of funds to the urban local authorities.

For all these reasons, a central loan agency for urban development needs to be created which can assess the credit-worthiness of the individual authorities and negotiate with the Reserve Bank of India regarding launching of a block borrowing programme. Such a specialised agency exists in the form of municipal credit banks in a number of countries which act on behalf of all the municipal authorities and make better use of the facilities offered by the capital market. The advisability of having a central loan agency for the local authorities (urban or rural) was discussed in a recent report of the United Nations as follows:

"A central loan agency could not only provide loans to local authorities (and through them to small communities) at reasonable rates, but could also give technical advice on individual projects and spur long term physical planning at the local level. It could also contribute toward coordination of physical planning between neighbouring local authorities and between local authorities and the central agencies. Moreover, it can assemble information on the borrowing requirements and capacity of local authorities so that these may be taken into account in formulating national capital development programme."³

3. United Nations, Decentralisation for National and Local Development, New York, 1962, p. 65

A loan agency for the urban local authorities can be organised in any of the three ways:

- (a) agencies under the aegis of government department;
- (b) agencies sponsored by government, but autonomous in character; and
- (c) credit cooperatives of the participating local authorities.

Examples of all the three types are to be found abroad, although the third type of loan agency viz., the credit co-operatives, can flourish only in the developed countries where the cooperative movement has taken roots and the local authorities have surplus resources to pool together for this purpose. In the conditions prevailing in India we should, therefore, consider the relative merits of the first and second types of loan agencies.

Undoubtedly, loan agencies under direct governmental control have considerable advantage in a country with undeveloped capital market, and where the conditions of State-local relations have developed on paternalistic lines. Its main drawback is that non-government financing institutions cannot be associated with this type of venture.

The existing departmental fragmentation of urban development responsibilities, as in India, would also make it extremely difficult to locate a central loan agency for urban development under a particular ministry or department. For instance, even if the State department dealing with the urban local bodies creates a loan agency under its auspices, there might still be

a need to find loan funds for housing, transportation, power etc., from budgetary allocations of sister ministries/departments. Even if all the urban development functions are concentrated in a single ministry/department, the main objection against the type of arrangement would be that a loan agency oriented towards particular development objective would need necessary flexibility to operate without being hamstrung by bureaucratic rules and procedures.

A loan agency is essentially a banking institution, albeit of a special type, and the association of the central bank is essential for proper allocation of long term credit along desired lines, the necessary coordination with the governmental borrowing programmes. It is difficult for a departmentally organised loan agency to strictly adhere to business principles, and the possibility to ignore the distinction between grants and loans is quite strong due either to political pressure or lack of banking skill among the civil servants.

In the light of all these difficulties for a departmentally organised municipal credit agency, we are left with the second type of institution, i.e. an autonomous agency sponsored by government. Such an agency will have to be created through legislation, and this will partake of a development bank or a finance corporation. In India, the components of urban development fall mostly under the jurisdiction of the States, and,

therefore, these finance corporations will have to be sponsored at the States' level, although an enabling parliamentary legislation would be necessary as these corporations would be regarded as financial institutions which fall within the jurisdiction of the Centre. At any rate, the municipal finance corporations, to be effective, must be located in the States, although the possibilities of creating regional corporations with the collaboration of two or more contiguous States could be explored. A municipal finance corporation at the Centre can likewise look after the requirements of the Union Territories.

The second question on which there is need for certain amount of consensus is the type of activities to be financed by these corporations as well as the authorities to be served. As pointed out earlier, apart from municipal authorities, there are a number of statutory bodies like the water boards, improvement trusts, housing boards, transport and power undertakings, and so on, which are concerned with the provision of urban facilities and it is but proper that the proposed municipal finance corporations should operate in the broader field of urban development, rather than concentrate its activities only on the municipal bodies. It is possible that even departmental undertakings or private companies might approach the municipal finance corporations to finance worthwhile projects in the urban areas, and it would be a pity if their applications are rejected simply because of their form of ownership and legal status.

The initial capital of the municipal finance corporations could be supplied by the State governments, the Reserve Bank of India, the Life Insurance Corporations, commercial banks and the urban local authorities. This could be supplemented by issuing bonds of various maturities and offering these to the public in consultation with the Reserve Bank of India.

Apart from acting as a mere financial intermediary, one important function for the municipal finance corporations could be promotion of new savings, and for this purpose various savings plans could be mooted for home finance more or less on the same lines as the various mortgage plans of the Life Insurance Corporation or the buildings societies abroad. In addition, the municipal finance corporations could also accept deposits from the public and the urban local authorities.

Conclusion

The organisational details of each of the municipal finance corporation must be worked out in detail keeping in mind the particular needs and circumstances of a State. The only parallel institutions of their kind in India are the State Financial Corporations for industrial financing where even at the Central level there are institutions in the public, private and mixed sectors, although at the States' level the corporations are only in the mixed sector. The municipal finance corporations also could be placed in the mixed sector in the States and with the development of similar

institutions under purely private or public auspices, necessary coordination could be effected much in the same way as is now being sought to be done in the field of industrial finance with the establishment of the Industrial Development Corporation.

The type of municipal finance corporations considered in this paper are development banks per se and these are neither meant to be executive agencies of the State governments as the existing housing boards; nor supposed to undertake any executive functions themselves, like the proposed urban development boards.⁴ If, in addition to the municipal finance corporations, it is felt desirable to create separate agencies to discharge executive functions relating to urban development, then these could be placed directly under the concerned ministries/departments.

4. Augmentation of Financial Resources of the Urban Local Bodies (Report of the Committee of Ministers constituted by the Central Council of Local Self-Government), 1963, pp. 28-31.

LOCAL GOVERNMENT SERVICES IN INDIA

by

Mohit Bhattacharya

(This paper was originally submitted at the Orientation Course in Urban Administration Organised by the Department of Public Administration, Osmania University, Hyderabad, in June, 1967).

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Introduction

The problem examined in this paper forms just a part of the broader discussion on personnel administration in urban local government. Personnel administration has many facets. There are the problems of recruitment and proper placement of workers, position classification and pay fixation, training, transfer and promotion, enforcement of disciplinary measures, and ensuring welfare measures and retirement benefits. These are important considerations which would entail, if justice is to be done to them, very lengthy discussion. We propose, instead, to concentrate on the problems of organisation of urban local government services in our country. Here the key issue is: how the different urban local government services - administrative, technical and subordinate - can best be organised to ensure the recruitment of suitable personnel.

Local government administration or for that matter any administration, depends for its success largely on the quality of the personnel that man the organisation. One of the main reasons for the failure of urban local government in this country to build up an "image" of at least an on-going concern can be traced to its inability in general to attract suitable personnel.

It is frequently remarked that financial inadequacy is the Achilles's Heel of our urban local bodies and the State governments are asked to make up this deficiency. Although the need for a systematic State grants-in-aid can hardly be exaggerated, local government worth the name should, in the main, stand on local resources. But tapping of local resources needs the services of qualified and necessary municipal staff. Again, unless the affairs of the municipal bodies are properly managed and services efficiently provided, the citizen cannot be asked to pay more by way of additional taxes. Thus the urban local bodies are caught in a vicious circle.

Several commissions, committees and conferences have, from time to time, made observations on the personnel problems of the urban local bodies. For instance, the Taxation Enquiry Commission (163-4) spoke in favour of "adequately paid" and "well trained" municipal staff. The Central Council of Local Self-Government at its meetings in 1956, 1959 and 1960, and the Fourth Conference of Ministers of Town and Country Planning (1963) expressed concern about the efficiency and standard of municipal services and called upon the State Governments to provincialise administrative, health, engineering and town-planning services of the municipalities. The latest recommendation is from the Rural-Urban Relationship Committee (RURC) which have just reported on, among other thing, municipal structure, personnel and finances. The RURC have made some significant recommendations which need closer scrutiny.

Current Practices and Trends

The practices in different States in regard to the appointment of the municipal staff differ widely. The commissioners of municipal corporations are uniformly appointed by the State governments. The executive officers of municipalities are in some States being similarly appointed by the State governments which also have the power to confirm higher municipal appointments. Madras has organised a State Municipal Service. Kerala and Mysore have instituted similar services only for executive officers. In Calcutta, a Municipal Service Commission has been set up for appointments to certain categories of posts and posts carrying higher salaries than these are filled in on the recommendation of the West Bengal Public Service Commission. In some other States, such as Madhya Pradesh, Maharashtra, Uttar Pradesh, Punjab and Rajasthan legislation for creating State cadres are now being given effect to. Andhra Pradesh has constituted a unified municipal services for the appointment of secretaries to the municipalities in the State. It also includes the senior posts of the municipal corporation of Hyderabad excepting the post of Corporation Commission who is appointed directly by the State Government. For the technical services such as engineering and health services, an integrated system has been adopted to meet the needs of both the State Governments and the municipal bodies. The power to make appointments to sub-ordinate posts has been distributed between the executive committee and the Chairman.

Recommendations of the RURC

The RURC referred to earlier have carefully diagnosed the ills of the present-day personnel administration in the municipalities and suggested some important remedial measures. Briefly stated, its recommendations are the following:

- a) Since the requirements of the municipalities for public health, medical and engineering services are small and the opportunities for promotion are limited, "it will be more convenient and advantageous to have a combined integrated service for public health engineers, town planners and medical and health officers". An integrated system has also been suggested for the municipal accounts service.
- b) Since the administrative and revenue services of municipal bodies require special knowledge and expertise which do not fit in with the State departmental works, "it would be better to have a separate unified cadre of municipal officers, including Revenue and Assessment Officers mainly for administrative duties".
- c) The recruitment to other subordinate services would be looked after by a statutory municipal selection committee.
- d) In both the integrated and unified systems, the control of the services would rest with the State Government.

Alternative Systems of Organisation

Now that the State Governments have started thinking to solve the personnel administrative problem of the municipalities and the RURC have made some important

recommendations, it is necessary at this stage to evaluate the different systems of personnel organisation.

i) The integrated system involves recruitment for appointment to posts under the State Government as well as the local bodies. Thus the personnel, under this system, are inter-changeable between the two levels of government and their scales of pay and service conditions are the same. Its chief merit is that it makes no distinction between State and local government services, and thus it might ensure availability of suitable personnel at the local level. But, as a United Nations Report observes, the integrated system "may be impracticable in the larger countries in which conditions vary widely, local authorities are numerous and the personnel needed by them may run to hundreds of thousands".¹ Secondly, as the experiences of panchayati raj point out, the duality involved in the controls exercised by the State departments and the local authority to which an officer is posted has a deleterious effect on the morale and efficiency of the serving officer. Last but not least, the integrated system takes away the power of appointment and, to a great extent, control of personnel from local government.

ii) Under the unified system, recruitment is made for the purpose of appointments to local bodies alone and personnel and transferable from one local authority to another. The administration of such a system by an independent central

agency ensures career opportunities, and security of tenure, and saves the personnel from the danger of political victimisation and possible contamination from local politics.

Transferability among the local authorities offers the staff the opportunity to change and widen their area of experience. This system is particularly useful for smaller local authorities who would otherwise have failed individually to attract suitable personnel. However, despite these advantages, the unified system obviously involves curtailment of much of local control over the staff.

iii) The other method viz., the individual personnel system of each local body, is almost universally practised in our country. This system is attractive to the protagonists of local 'self-government', since each local authority is free to recruit and control its staff as it thinks best. But as the history of local government in this country has amply demonstrated, this system allows the local authorities the freedom to remain ill-staffed and in-efficient.

Actually what we now have in the urban local bodies is a combination of these three systems, with emphasis on the separate personnel system for each local body. As earlier mentioned, the present trend seems to be to have a mixture of integrated and unified systems for appointments to technical and higher municipal posts, and to leave the subordinate appointments to the municipal bodies themselves. Andhra Pradesh

provides a good example of such a mixed system. The RURC also favoured the mixed system, and have worked it out in more details.

Conclusion

The advocacy of any particular personnel system is not possible without reference to the nature of local government and central² - local relationship obtaining in a country. In fact prescriptions about local institutional changes are usually made on the basis of certain assumptions about the nature of local 'self-government' and the relationship between the central government and the local bodies. But these assumptions are rarely spelt out. The tradition of State-local relationships, national economic planning, and the condition of the labour market where skill-- both executive and technical - is scarce, all these factors have to be carefully considered before suggesting any personnel system for the urban local bodies. Also, conditions differ from State to State which makes it difficult to suggest any uniform system for the entire country.

Keeping these general observations in mind, it may be said that so far as subordinate appointments are concerned, there is justification for recommending the continuation of the system of appointments by the municipal authorities themselves. It is too much to wait for, say, the appointment

2. In the present context, the word 'central' means the State Government.

of a peon, or a sweeper till this is done by the State Government or a central personnel agency. Also, some local powers of appointment are needed as much in the interest of local democracy as to provide opportunities for local labour. But the key problem is to organise the higher technical and executive services. At present, it is generally found that the urban local bodies fail to attract suitable candidates for these posts. Unless some special arrangements are made, the image of present-day local government will continue to discourage them, and the machinery of local government will be operated by the left-outs.

The RURC, as mentioned earlier, have chosen to blend the integrated and unified systems together. Since the State Governments play the dominant role in State-local relationships, the integrated system is apt to pay additional premium on State control. Also, an officer who knows that he will one day be transferred to State services, may not have any stake in municipal service. Some other demerits of the integrated system have been pointed out earlier in this paper. A mixture of the integrated and unified systems has the further danger of creating two classes of officials within a single municipal authority who may not pull together well.

In view of these considerations, there is much that can be said in favour of the unified system operated by an independent central agency. It will be exclusively devoted to local govern-

ment appointments. Its constitution will be such as would include the representatives of both the State government and the local authorities. Thus, it would not involve additional State departmental control, nor would it completely deprive the local authorities of their right to make their voices felt in personnel administration matters. Other advantages of this system have earlier been pointed out. The Local Government Service Commission in Ceylon, which is an example of this kind of central personnel agency, was thought to be unsuitable for our country by the RURC. The argument advanced is as follows:

"In our country, where the constitution itself provides for the setting up of independent State Public Service Commissions, divorced from the routine administrative work, such an arrangements would not be appropriate or even possible".³

This argument does not sound very convincing. In Calcutta, for instance, a Municipal Service Commission with limited functions has been set up.

Under the existing conditions of our urban local bodies, a proper organisation of local government services is of paramount importance. We have discussed the pros and cons of the different systems. The ultimate solution and the acceptance of a particular system would, however, depend very much on what attitude is taken toward the nature of local self-government itself including its relationship with the State Government.

3. Report, p.80

TRAINING FOR LOCAL GOVERNMENT EMPLOYEES IN
DIFFERENT COUNTRIES OF THE WORLD

by

R.S. Gupta

(Paper prepared for the first short-term training course for municipal executives - August 2 to 26, 1967).

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The traditional view is that administration is an art which is learnt like any other craft, by practice. Accordingly, the best training for an administrator is to be immersed in the day to day work of his administration which comes to him and to learn step by step under the watchful guidance of his superiors. It was this type of training which was adopted by the British in India. The newly recruited civil servant in India, was encouraged to often walk into the Collector's house and develop personal contacts. The young official used to go and live with the Collector for a few days at the beginning of his service, to accompany him during the touring season and to participate in revenue settlement cases under his immediate guidance. Thus, "a good Collector's house was often a second home of the young Assistant Collector".¹

But the old colonial era vanished with the Second World War, and in years since then governments have been faced with more difficult responsibilities at all the levels, to which the new independent governments have been added. It was increasingly

1. A.D. Gorwala, The Role of the Administrator: Past and Present and Future, Poona, Gokhale Institute of Politics and Economics, 1952, p. 27.

felt that training by doing was no longer adequate to meet the demands of modern public administration. It equally applied the field of local government which once was considered the preservation of the interested amateur. Today, the local government practitioner must depend, more and more, on the trained administrator and technician to provide the complicated services and to meet the complex problems that accompany urbanisation. Education and training in local government, therefore, obviously call for a greater variety of specialisation and at more different levels than heretofore. Let us briefly survey the training facilities available in the developed as well as the developing countries of the world for local government employees.

The United States of America - The United States, like other nations, has been engulfed by the urban wave. At the turn of century there were less than 30 million people in urban areas in the United States. The 1960 census shows more than 125 million, and it is projected that by 1980, the urban areas will account for 90 per cent of all the people, with only 10 per cent remaining in rural areas.² With possible exception of racial problem, the urban question is the greatest domestic issue facing the United States. There are four categories of senior municipal officials who are trained through the University system. These are - (a) general administrators,

2. Hugh G. Mac Niver "Training for Local Government in the U.S.", Journal of Local Administration Overseas, January, 1965, p. 43.

(b) administrators of specialized functions, (c) staff officers, and (d) technical specialists. All these must be forthcoming in sufficient numbers from the Universities if the task of governing, planning, housing, educating, transporting, managing and financing of urban communities is to be met.

The major local government educational responsibility, under the heading 'the general administrator' is the city manager. Nearly 2000 municipalities in the United States have adopted the Council-manager form. In addition, many communities require administrative assistants to mayors or other elected chiefs. This kind of training is provided by a number of universities³ of which the University of Pennsylvania, Syracuse, Kansas, Pittsburg and Southern California are amongst the largest. The usual academic programme for a city manager is a four-year Bachelor's Degree in liberal arts or social sciences, followed by a Master's Degree in Public Administration, which require from one to two years of post graduate study. Before entering his career the young manager will probably spend at least six months as an intern in the city manager's office of one of the large cities, which undertake these training programmes.

Administrators of specialised functions such as hospitals, public works departments, schools, and many others from the second category of local government personnel which are trained by the universities. Many of these are former technicians who

3. For detailed information: see A.F. Leemans, "University Teaching in Local Government and Administration", Journal of Local Administration Overseas, January, 1966, pp. 3-10

have been promoted into administrative responsibilities. In the past they have been technicians first and administrators second, but the trend is towards training an administrator first with sufficient knowledge of the technical field to be able to perform well in the functional setting. Thus, in the past a hospital administrator was generally a physician who had taken up administrative duties. Today he is more commonly trained in administration and provided with enough knowledge of medical environment to work effectively with practitioners of medicine.

Auditing, budgeting, legal affairs, planning and research are among the types of staff officer training needed by American cities. These are well established university specialisations and the practitioners will have technical training and, ideally, some general administrative training. Technical specialists include engineers of several kinds, physicians, scientists and architects to name a few. These people come out of specialised courses and tend to move into administrative duties as they are promoted.

The foregoing discussion has been concerned with pre-entry training and education. Post-entry training for persons already in the local government is also carried on on a wide scale by the local governments themselves, e.g. the States of California and New York provide courses for local personnel. League of Municipalities, which are associations of local governments, which exist in about 45 States, carry out numerous

short courses for their members. Lastly, a number of professional groups such as the International City Managers' Association, the Public Personnel Association, the American Public Works Association, the American Society of Public Administration and others in planning, police, finance, etc. provide high level training opportunities in various parts of the country.

Possibly in no other country there is as much activity in education and training for local government personnel as is found in the United States

England - In England too the local bodies have four categories of personnel, viz. administrative, professional, technical and clerical staff, recruited by the local bodies themselves suiting to their needs and requirements. The needs of the services for professionally trained officers are met in two ways - either by recruiting those who have obtained their qualifications outside the service e.g. the need for doctors to fill senior administrative posts in Health Departments, or by recruiting personnel from the universities and schools and providing training within the service, e.g. the clerks of many local authorities take selected young graduates in the service as articled pupils, so that they too can qualify for promotion by taking the examinations of the Law Society. Whereas most local authorities draw from the legal, accountancy, engineering, and medical professions, the larger authorities, with their complex range of service, employ social workers, architects, housing managers and many

others. In all these cases, the standards of entry to the profession, the nature of the training demanded, and the content and standard of qualification are normally decided by the professional body itself and not by the employing local authorities. For example, the Local Government Examinations Board, established in 1946, determines the training and qualification standards of the administrative and clerical staff and negotiates their salaries and service conditions.

Thus, training in local government is met primarily by preparing for examinations and the standards are set either by professional bodies or by special public bodies established for the purpose. However, there is a growing realisation that examination study can only meet a part of the training needs of the service as a whole. For example, most chief officers and their deputies spend a great deal of their time on a wide range of managerial functions and their professional training - usually undertaken before or soon after entering the service - did little to prepare them for this vital part of their present activities. The supervision and control of staff and new techniques in office management and administration are not generally included in the syllabi of the professional examining bodies. Therefore, all new entrants to the service should be given a general picture of the service as a whole and be provided with some systematic induction training. Post entry training in this sense is in its early stage in the

local government service in England. There is, however, a growing awareness of the need and a gradual, but welcome, spread of the facilities.

France - In France the national government is not directly involved in the pre or post-entry training of municipal employees. However, in 1952, a General Statute setting forth regulations for a full-time (45 hours per week) municipal personnel was enacted. Thus, the Government through the Ministry of Interior entered the picture in order to apply the regulations. The result is a close association of the national government with the problems of recruitment and training.

The 1952 regulations provided for the creation within the Ministry of Interior, of a National Arbitration Commission for Municipal Personnel composed of 12 mayors and 12 municipal employees. Its main task was to participate in the establishment of general rules of administration, especially in the realm of recruitment, and to "gather data and general statistics concerning the local civil service."⁴ The National Arbitration Commission studied in detail the questions posed by the pre-entry and post-entry training of municipal employees and adopted a concise plan of action.

According to this plan, there are in the various departments (provinces) centres of "formation", (procedures in the training of candidates for inter-municipal competitive

4. Orin F. Nolting, Post-Entry Training in the Public Service in Western Europe, The International City Managers' Association, Chicago, 1962, pp. 36-37.

examinations) and "perfectionnement" (post-entry training to municipal employees to bring them upto-date with changing procedures and methods). The purpose of these centres is: 1) to prepare candidates for municipal competitive examinations; (2) to organise examinations, especially by furnishing the members of the juries and by grouping the examinations presently given by each municipality for its own employees, and (3) to aid in the "perfectionnement" of the incumbents by requiring them to attend periodically, theoretical and practical lectures.

Thus, pre-entry and post-entry training of municipal officials has received considerable attention especially since 1952, and this has broken the legal isolation which local government personnel had up to that time. Increased efforts have been made to recruit young people at an early age and to provide extensive training on the job to enable them to qualify for high posts. French municipalities, with few exceptions, do not deal directly with the professional "formation" of their personnel. Emphasis is on "perfectionnement" (post-entry training), and this is centred on the upgrading of certain classes of office workers and lower level administrative personnel and technical aides because of their large number and because after recruitment such personnel need considerable training to prepare them for high level positions.

There are three distinct levels of "perfectionnement" (post-entry training): (1) General Secretary, Assistant General Secretary, Director of Administrative Service, Director of Technical Service. The aim of training here is to "broaden the horizons" of these officials on new problems. (2) Chef de Bureau, Sous-chef de Bureau, Rédacteur. These positions are on the level of execution where administrative problems must be studied from a legal angle. (3) Agent principal, commis. The personnel in these lower categories have "execution" functions and are in direct contact with the public. Such officials are trained through a series of lectures dealing with municipal administration. The lectures are given chiefly by University professors, high officials of the national government, or heads of industries.

Besides this, there is also the National School of Municipal Administration (Ecole Nationale d'Administration Municipale), set up in 1923, under the name of Institute of High Urban Studies. It was planned that the school would give complete professional training to municipal officials and employees. However, in 1929, the management of the school was handed over to the University of Paris and it became part of the University's Institute of Urbanism. The Institute provides two levels of training:

(1) Preparatory training, which is handled by the National School of Municipal Administration as part of the Institute, and includes 3 years of study for employees of municipalities

in the Department of the Seine who attend lectures about 30 hours per year. Officials and employees of municipalities in the various provinces may take the course by correspondence as well; and (2) Higher level education which is handled by the Institute itself for the higher level employees and is spread over two years. It prepared many specialists in urban planning.

Germany - Among the countries of Western Europe only Germany had given much attention to public service training prior to the second World War. Entry to the German civil service had for two centuries been conditioned on some form of pre-entry training. Before being appointed to an established position a candidate must have shown under conditions laid down by law that he had practical experience and theoretical knowledge of law and public affairs.

The general pattern of training for the higher posts is the same for all the States of Germany. There are three stages in the training programme: (1) the final university examination in law; (2) a long period of service in various public administrative offices; and (3) the final state examination. The first examination generally is held at the end of the course for a university law degree and consists of a number of written papers followed by oral examinations. The candidate then spends several years in various offices, and each official under whom he serves

reports on the quality, reliability, and competence of his work and on his personal character. If he passes the final examination, he receives a life-time appointment.

This training provides a common background for all high officials in federal, state, regional and local governments. There are three classes of civil servants in the federal and municipal governments. The first class - administrative officials - are appointed and generally plan on a life career in government. Their rights and duties are set forth in state law and they are covered by a retirement plan. The second class - employees - are appointed under a negotiated contract which covers pay and rights and duties. This contract is between an organisation of the cities and counties and the trade unions for the whole of West Germany. The third class - workers - are mainly the unskilled labourers on the street. They are trained on the job and no organised post-entry training courses are provided for them, except in the big cities.

Local government in Germany provide training for administrative officials and employees of the middle and upper levels. Such training provides the opportunity to become acquainted with practical administrative work in different departments. Depending on their education, apprentices for the career of administrative official or employee have a training period of one to three years. Practical training is handled independently by the municipalities. Such training is

paralleled by theoretical training in administration schools. There are 35 municipal administrative training schools in West Germany which are attached either to the city (in the case of big cities), or are operated by several municipalities jointly. Training is carried on by lectures and group discussions. The courses at most schools are offered during work hours with lectures only one day a week.

In the southern part of the country the largest training schools is the Bavarian School of Public Administration which is supported by the State and the cities and counties of Bavaria. Training is provided in the fields of general administration, police, utility management, and city and county-operated savings banks. The correspondence courses are similar in contents as the group training courses which are taken over a period of one year or more. It should be stated that officials in the administrative and technical service of municipal governments are trained according to uniform regulations. After completion of the training and passing of a final examination they are admitted to the respective service class and become administrative officials.

Sweden - Post-entry training at the local level, which achieved recognition in early 1950's, is provided by the Swedish Association of Towns, the Swedish Association of Rural Municipalities, the Association of Social Welfare, and the national Government. The earlier courses were based on a system of circular letters containing information in specific fields and

questions to which the participants had to reply. However, soon it was realised that residential training school at Sigtuna, 35 miles north of Stockholm was built in 1956, primarily to give short courses for members of city and town councils; on whom rested greater responsibility and who often lacked the necessary training and experience. Thus, this was a new feature to train the elected councillors. But from the beginning about one-third of the participants were the municipal administrative officials in such courses.

There is no permanent teaching staff of this school; instead, the Director of the School is authorised to engage experts to lecture on subjects as required. He is able to draw on a panel of lectures from both Universities and State administration, as well as local government experts. The Director, who must have both teaching and administrative qualifications, is responsible for the planning and arrangement of courses. These cover all desired subjects, including information on new or altered laws and legal matters, new administrative procedures, present-day planning, or any subjects which are requested by the associations. The length of the courses varies from 3 days to 6 weeks, but a course of one week is the most usual. The programme consists of lectures, class work and group study or seminars. Courses are practical oriented so that those taking part can tackle the same sort of questions and problems as they are likely to get in their own districts.

Since the school began in 1956, there have been over 27,000 delegates taking part in different courses or conferences. Of these, 45 per cent were local councillors and the remainder local government officials. Between 90 to 100 delegates come each week to the courses, giving a total of approximately 4,500 a year.⁵

The two larger cities, Stockholm and Gothenburg, provide post-entry training for their own officials and employees. The city council of Stockholm in 1958 created a training board of five members selected by the Council. The head of the city's personnel department is chairman of the board who is responsible under regulations adopted by the council for the in-service training of all personnel employed by the city, with the exception of teachers and medical personnel. Officials and employees who participate in courses arranged and approved by the training board are paid full salary. The board also pays all other expenses from city funds, including the tuition fee, travel costs if any, and a small allowance for incidental expenses. Teaching methods employed include lectures, discussion groups and role-playing. Instructions are given by specialists in various fields who are recruited chiefly from state and municipal offices.

5. B.D. Malmberg. "Sweden's school for Councillors - First Kommunskolan, Unique in Europe", The Municipal Review, January, 1965, p. 31.

The Netherlands - Training for local government officials started as early as 1883, when a private Association of burgomasters, town clerks and senior officers came to the conclusion that the establishment of certain requirements for examination would improve the standard of professional knowledge. This certificate, established in 1883 for Local Administration (known as LAI) is still required for the medium ranks of the local government employees. The subjects one has to study under this are constitutional law, municipal law, some subjects of administrative law, housing, education and the main outlines of civil law. This certificate could be acquired by following courses given by private instructors or by a correspondence course given by private institutes, and the examinations were conducted by the Netherlands Association for Municipal Interests. (Now these courses are being run by the schools).

A second type of specialised course in Local Finance, started in 1916. One could offer this course after passing L.A.I. Examination. It is also an evening course and covers a curriculum of book keeping, local finance, economics, taxation and financial paragraphs of general administrative laws. Those who have not passed the L.A.I. Examination also have to study the constitutional and municipal law.

The third type of course, started in 1938, is known as Training and Examinations for Local Administration-II(L.A.II.). It is an advanced course, but mainly juridical, and covers

subjects like introduction to law, constitutional law, civil law and law of civil procedure, municipal law, administrative law, economics and local activities like town-planning, public health, public order, education, etc. Although the course cannot be compared with the curricula at Universities, its standards aim at nearing the University level. Those officials can sit for this examination who have either passed the L.A.I. Examination or the local Finance Examination.

As this system of post-entry training, which started about 85 years ago, was more inclined to the study of law and did not meet the modern requirements of administration, a commission of 20 experts representing municipal, provincial, university, state and other professional interests, studied the whole question of training and submitted its report on the 1st October, 1962. The Commission recommended a course in General Training for Middle Rank local officers to be organised as a day school for 1½ to 2 days a week on week-ends for a period of three years. It also recommended about 12 to 14 regional schools, spread over the 11 provinces, to be organised under the supervision of a coordinating board, in which the Institute of Administrative Sciences and the Association for municipal interests were to be represented.

The Commissions' recommendations were accepted by the Government as a result nine new regional training schools for local officers have started functioning. The syllabus of these

6. For details see "Training of Municipal Employees in the Netherlands", by R.S. Gupta, Indian Journal of Public Administration, Vol. XIV, NO. 2, pp. 348-66.

training courses has undergone considerable change and the principles laid down in the Commission's report are being put to practice.

The Developing Countries - Training, especially in the field of local government, in the newly independent countries of Asia and Africa is of recent origin, and in most of the cases it has started with the setting up of Institutes of Public Administration either with the help of the United Nations or some Western country. In Ethiopia, for instance, the Imperial Institute of Administration is an off-spring of the United Nations and has been in operation since 1956. Similarly in Kenya, the Institute of Administration has been set up in 1961 with the help of U.S.AID and the University of Syracuse. In India two of the Institute of Public Administration was set up in 1954 with the initial help of Ford Foundation. However, all these newly independent countries of Asia and Africa have at the moment only the Central Institutes of Administration and a beginning has been made to give refresher short-term post-entry training to the civil servants. However, in India a Centre for Training and Research in Municipal Administration came into being in 1966 as a wing of the Indian Institute of Public Administration. Three Regional Centres in Municipal Administration have also come into being and proposals are afoot for a few more regional centres in the next plan.

The above description leads us to the following conclusions. In the United States of America the emphasis is more on the pre-entry training given by the universities. Thus, a city manager will not be appointed unless he holds the degree of Masters' in Public Administration. This is really a contrast from the European System where practically there is no pre-entry training especially at the lower levels of local government service. In Europe an employee gets his promotion after he passes certain tests which is more in the nature of post-entry training. Secondly, in the European countries the entry of a civil servant is based on his knowledge of law and in passing certain examinations in law subjects. The basis of administration is focussed on law and the training is done in that setting. Although, it is now gradually changing. On the contrary in the U.S.A. training in public administration is part of political science in the wider sense of the term. Finally, in the case of Sweden we have seen that training is also given to the elected councillors along with the higher officials. It is very much desirable in the case of the developing countries of Asia and Africa; and in India the Government has plans for the same.

ADMINISTRATION FOR URBAN DEVELOPMENT

by

Abhijit Datta

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Introduction

One of the major problems facing India today is the growth of towns since the twenties of this century. Although migration from the rural to the urban areas has declined in the present decade compared to the previous decades, the increase in urban population will still be considerable mainly due to natural growth of population in the urban areas. An interesting aspect of the increase in urban population India is that there is a marked tendency of increasing population concentration in the bigger cities with a population of one lakh and over.¹ As a result, living conditions in the urban areas, especially the larger towns and cities have deteriorated and there is a mounting backlog of essential urban facilities such as water supply, drainage and sewerage, housing, transportation, power supply and so on. Unplanned urbanisation has caught us almost unawares, bringing in its train some of the most miserable living conditions found anywhere. In the words of one commentator; "Looking at cities, large and small, with an eye to civilized living and general human well-being, one is struck

1. Report of the Rural-Urban Relationship Committee, Government of India (Ministry of Health & Family Planning), Vol. 1, p.47

with the fact that a very small minority of the population of India's cities lives in comfort befitting a civilized community."²

In the present paper we shall be discussing some of the administrative problems in urban development, after tracing the historical background and the more recent attempts since the country's Independence. By the term "urban development" we mean the creation of basic civic facilities in our urban centres. Since urban development is essentially a local responsibility, our paper is an exercise in analysing the various aspects of development administration of civic amenities at the local authorities' level.

HISTORICAL BACKGROUND

Sanitary Commissions

In India the idea of town improvement was first mooted with the appointment of Sanitary Commissions in 1864 in the Presidencies of Madras, Bengal and Bombay under directions from the Royal Sanitary Commission. These were required inter alia "to give advice and assistance in all matters relating to public health and sanitation, to advise on the sanitary improvement of native towns, and prevention and mitigation of epidemic diseases."³ The duties of the

2. J.F. Bulsara, Problems of Rapid Urbanisation in India, 1964, p.129

3. Cited in "Town Planning and Improvement Trusts in India" by K.K. Nambiar, Proceedings of the South East Asia Regional Conference, New Delhi (International Federation for Housing and Town Planning), 1956, p. 334.

Sanitary Commissions were gradually taken over by the Sanitary Engineering and Health Departments of the States.

The Improvement Trusts

The next attempt at town improvement was made in Bombay with the creation of an Improvement Trust in 1898. This was followed by similar Trusts in Mysore (1903), Calcutta (1911), Lucknow (1919), Kanpur (1919), Allahabad (1920), Lahore (1936) and Nagpur (1937). In Delhi an improvement trust was constituted in 1937 by extending the U.P. Town Improvement Act of 1919 to develop Government lands transferred to its charge. The Hyderabad Improvement Trust was created by a firman issued by the Nizam in 1912 "to improve the sanitation and general conditions of Hyderabad city". It is an autonomous body having the status of an independent department, and its jurisdiction extends two miles beyond the municipal limits.

In more recent years a number of other improvement trusts also came into being in various other cities at Patna, Bangalore, Madras, Amritsar, Jullundur, Ludhiana, Ambala, Howrah and so on. By 1947, most of the major cities in India were covered by Improvement trusts, although in the subsequent decade many of these trusts were either abolished or converted into development boards/authorities. The improvement trust in Bombay functioned for about 35 years when it got enmeshed into financial difficulties due to land speculation in the early twenties. In 1933, the trust was abolished and its functions vested in the Bombay City Corporation. In Punjab, the trusts at Ludhiana and Ambala

were also closed down for want of funds soon after their creation. In Uttar Pradesh, the Kanpur Trust was converted into a development board in 1945, and the same fate awaited Delhi a decade later with the creation of the Delhi Development Authority in 1958. In 1959, under the Municipal Corporations Act (Nagar Mahapalika Adhiniyam) the improvement trusts in Uttar Pradesh have been dissolved and their functions entrusted to the newly created city corporations.

With the exception of a few trusts like Calcutta, Delhi, Hyderabad, Madras, and Bangalore, most of other trusts suffered from financial difficulties. Undoubtedly, some of these trusts have done extremely useful work within the limited conception of their functions and resources. Nevertheless, these have not been spectacular and scepticism has been expressed about their continued existence with the changed requirements of comprehensive city improvement and the creation of competing agencies such as housing boards, water and sanitation authorities and development corporations. The relations between the trusts and the municipal authorities have not been smooth and, by and large, required cooperation between these bodies has been halting and half-hearted.

Generally speaking, the improvement trusts concentrated on the development of new areas which would bring in substantial returns. As a consequence, the city centres and other older areas were neglected, and new expansion used to be taken

up with enthusiasm which called for similar expansion of service facilities by the municipal authorities. Again, very few improvement trusts were in a position to undertake the preparation of master plan for the entire city and its environs. Their efforts were mostly concerned with particular areas in a piecemeal fashion without relating these improvements within the framework of an overall development plan.⁴ From a functional point of view also, the improvement trusts were exclusively concerned with street widening and land development programmes and not with the creation of basic- infra-structure in the urban centres, such as developing transportation or power systems; construction of schools, hospitals amusement centres; creation of parks and open spaces and so on. For instance, the Calcutta Improvement Trust has the power to provide transportation facilities in and around the city of Calcutta, but this provision has not been invoked so far. The approach of the trusts in selecting schemes has also been cautious and conservative, primarily due to a desire to operate according to business principles.

It is true that the original improvement trusts were started with the limited objective of improving sanitation and traffic congestion of the overcrowded cities, and it is unfair to blame these bodies "for failure to do something which they

4. Town and Country Planning In India, Government of India, (Ministry of Health, Town and Country Planning Organisation) 1962, p. 31.

were neither designed nor authorised to do."⁵ Nevertheless, such as assessment is relevant in the new context of town and country planning and implementation of the various plan schemes for urban development.

Town Planning

Modern town planning may be said to have started in India in 1912 with the transfer of capital from Calcutta to Delhi and the creation of New Delhi. The New Delhi Municipal project was successful primarily because of the outstanding personalities of its architects, and also due to the official support given to the town planners.⁶ "Along with the adoption of the latest town planning principles in the layout and development of the new capital areas, the Government of India impressed upon the Provincial Governments the need for regulating and controlling the growth of their towns and urbanised areas."⁷

The next significant development in the field of town planning was the visit of Sir Patric Geddes in 1915 to advise the Governor of Madras of Planning and Redevelopment of old towns. Sir Patric interpreted town planning to mean not only planning of streets and houses, but also planning for the

5. "Improvement Trusts and their potentialities " by S.K. Gupta, Proceedings of the South East Asia Regional Conference, op. cit., p. 289.

6. Report of the Health Survey and Development Committee, Government of India, (Ministry of Health), Vol. III, 1946, p.80

7. Improving City Government, Indian Institute of Public Administration, 1958, p. 122.

economic and social needs of the people who lived in the cities. Following Sir Patric's visit, the Government of India appointed another town planner, Mr. H.V. Lanchester, as its adviser and some of the Provinces, like Bombay and Madras, evinced keen interest in modern town planning and enacted legislations on the lines of the British Act of 1909. In some of the Princely States like Hyderabad, Mysore and Baroda there was considerable progress due to the personal interest evinced by the rulers and the genius of Shri M.Visveswaraya, the noted architect and planner.

During the twenties and early thirties the progress in town planning and improvement was sluggish. In Jamshedpur, the establishment of steel township is a notable event in the thirties. In Bombay and Madras, the town planning legislations resulted in the local authorities undertaking a large number of improvement schemes with assistance from the Provincial Governments during the inter-war period. With the breakout of the Second World War, town planning and improvement work was virtually stopped. Immediately after the end of the war, the Government of India appointed the Health Survey and Development Committee under the Chairmanship of Sir Joseph Bore. The Bore Committee report, published in 1946, made far reaching recommendations on town planning, housing and slum clearance, environmental hygiene and sanitation and the like, and influenced thinking at the government level on urban and regional planning in the post-war period.

DEVELOPMENT SINCE INDEPENDENCE

The partition of the country on the eve of Independence in 1947 brought in its trail the problem of resettlement of displaced persons in a proper manner. As a result, a number of refugee townships all over northern India sprang up. Some of these towns were properly planned, such as Faridabad. The Punjab Government also constructed a number of mandi towns for rehabilitating the displaced persons.

With the launching of the five year plans since 1951, urban development came to be regarded as part of the overall planning efforts in the country. However, in the first two five year plans insufficient attention was meted to the problems of urban development and "it was only in the Third Five Year Plan that definite proposals for a coordinated urban development were made."⁸ The plan urged that as many towns as possible, and especially those with a population of one lakh and over, should come within the ambit of planning in an organic way.

During the three plan periods, the directions of urban development may be discussed under three broad heads: (a) growth of new towns; (b) formulation and launching of plan schemes for developing the urban area; and (c) emergence of new agencies having responsibilities for urban development.

8. Report of the Rural-Urban Relationship Committee, op.cit
p. 13

Growth of New Towns

Owing to the emphasis on industrialisation and economic development in the successive five year plans, urbanisation in India since Independence has been characterised by the following special features:

- “(a) growth of small towns and agro-industrial centres;
- (b) setting up of institutional and administrative centres including places of tourist interest, educational centres and the State headquarters; and
- (c) emergence of new industrial centres and major irrigation and power projects.”(9)

The new towns that have come up after Independence may be classified into four broad categories: refugees townships; industrial and part-towns; irrigation and power-project towns; and capital towns. Instances of the refugee townships are Faridabad, Nilokheri and Rajpura in Punjab and Kalyani in West Bengal. Most of these towns are located close to existing settled urban population and were designed to relieve the cities of Delhi and Calcutta from the pressure of refugee population. The three Punjab refugee townships were developed by Development Boards under the Union Ministry of Rehabilitation and later transferred to the State Government. Kalyani was developed by the West Bengal Government, partly as a refugee township and partly as a satellite town of Calcutta. One of the major problems of these towns is that they have so far failed to attract sufficient number of industries to support the newly settled population.

The industrial and port townships came into existence as a direct result of the siting of major industrial plants as in Rourkela, Bhilai, Durgapur, Chittaranjan, Hatia (Ranchi) and Barauni; or developing new ports such as Vishakhapatnam, Kandla and Paradip. The three steel towns of Rourkela, Bhilai and Durgapur were developed by a single Central public undertaking - the Hindustan Steel Ltd. Chittaranjan was developed by the Indian Railways, and Hatia was developed by the Heavy Engineering Corporation - another Central public undertaking. The port townships were all primarily developed by the Indian Oil Corporation Ltd., under the Central Ministry of Petroleum and Chemicals.

The major problems of the steel towns are that these have so far failed to integrate with their surrounding agricultural areas, economically and socially, if not also politically. The growing menace of peripheral and ribbon development outside these townships also defies readymade solutions. These problems are less acute in the case of Chittaranjan, Hatia and Barauni because of the existence of already settled urban population in the vicinity. Among the new port towns, Visakhapatnam was already an old settlement and its development posed lesser problems than in the case of either Kandla or Paradip. It is remarkable how these two new ports were brought into India's map by the determined efforts of the State Government of Gujarat and Orissa.

Only a very few new towns have emerged in connection with the construction of multi-purpose river valley projects - the most notable being Nangal and Bhakra towns. Both these towns have given impetus to the development industries and these may be expected to grow into sizeable urban centres in future.

The last category of new towns in India are the capital towns viz., Chandigarh and Bhubneshwar. Both these towns were developed by the State Governments with due regard to the modern principles of town planning. In the field of city development and architecture, Chandigarh is an outstanding achievement since Independence. Both the towns are administered through project administrations, and representative local self-governments are yet to come.

The new town experiment is quite novel in India and it is perhaps too early to draw lessons from the isolated experiments. It seems, however, that some of the new towns have opened up underdeveloped areas and provided economic and social opportunities to the local population, while others have disrupted rural community life and increased the gulf between the local population and the migrant workers.¹⁰

10. "New Towns in India", by T.J. Manickam, et.al., Public Administration Problems of New and Rapidly Growing Towns in Asia, United Nations Technical Assistance Programme, 1962, p. 22.

Plan Schemes for Urban Development

During the three plan periods, a number of Central schemes covering different aspects of urban development have been launched. The administrative agencies for implementing these schemes are the State governments, municipal authorities, and other local bodies. The schemes cover water supply and sanitation, urban housing and related activities, preparation of master plans for cities and regions, and urban community development.¹¹ For improving water supply, drainage and sewerage in the urban areas, the National Water Supply and Sanitation Programme (Urban) was launched in 1954. Urban housing and related activities are covered by six different schemes on subsidised industrial housing, low income group housing, slum clearance and improvement, middle income group housing, rental housing for State government employees, and land acquisition and development. One additional housing schemes for the economically weaker section was also in existence for a few years, but this was ultimately merged with the industrial housing scheme. All these schemes came into operation between 1952 and 1962. The last two schemes on urban community development were started during the later part of the Third Five Year Plan in 1962 and 1965 respectively.

11. "A Functional Approach to Indian Federalism: Case Study of Urban Development", by Abhijit Datta and Mohit Bhattacharya, Indian Journal of Public Administration, April-June, 1967.

The nine urban development schemes have been formulated in great details specifying the purpose, coverage, operating agencies, methods of financing and the like. Two Central ministries Health and Family Planning; and Works, Housing and Supply - between themselves look after the schemes. Only two schemes, viz., the National Water-Supply and Sanitation Programme and the Urban Community Development Schemes are in charge of the Ministry of Health and Family Planning; while the Ministry of works, Housing and Supply is responsible for all the housing and related schemes and the Scheme for the Preparation of Master Plans for Cities and Regions.

For projects costing more than Rs. 10 lakhs under the National Water-Supply and Sanitation Programme, Central scrutiny and approval is necessary. The schemes on urban community development and on master plans lay down staffing patterns and pay scales. The financing patterns of the schemes are also not uniform. For instance, the water supply and sanitation scheme offers 100% loan, while the master plans schemes provides for 100% subsidy. Between these two extremes, there are two schemes - slum clearance and improvement, and subsidised housing - having a mixture of loan and subsidy. Again, two schemes, such as, on slum clearance and improvement and on urban community development, require matching contributions. Three other schemes on middle income group housing, land acquisition and development, and rental housing for State Government employees are entirely financed from a non-plan source - by the

Life Insurance Corporation. There are also two examples of schemes for water supply and sanitation and for low income group housing which are jointly financed from plan and non-plan sources - by the Central government and the Life Insurance Corporation.

The manner in which these schemes are being operated results in reducing the State governments and local authorities as mere agencies of the Centre and have led to a "vertical integration" of the various layers of government.¹² Moreover, the mixture of grants and loans in the plan schemes is purely accidental, and not made on a careful examination of the relative productivities of the schemes. The schematic nature of financing the schemes results in their unnecessary proliferation, restrictiveness in their execution, and a fragmented approach towards urban development. The only way to remedy these defects is to abolish the existing schematic approach and introduce broad heads of conditional Central plan assistance combining all the closely related activities in a broad sphere, such as urban development.

New Agencies for Urban Development

Since Independence, another significant development is the increasing fragmentation of executive responsibilities for the various components of urban development. This is due to

12. K. Santhanam, Union-State Relations in India, 1960, p. 54

to various reasons.. Inter-departmental rivalries at the State level have resulted in lack of coordination - departmental and schematic - for systematic spatial development. This is partly due to the reason that both the administrative machinery and the plan schemes are conceived in functional rather than areal terms. The system of district administration, which acts as a corrective to functional planning with regard to rural development, is less effective in the urban sphere. Secondly, there is a lack of confidence in the urban local government bodies at the State level as to their efficacy in undertaking the new responsibilities for urban development. This has resulted in many of the States directly undertaking urban development projects or creating special purpose bodies to take charge of specific development functions.¹³ Thirdly, in a search for additional revenues, the State governments have started various undertakings in the urban areas, either departmentally or through corporations. Fourthly, many of the statutory bodies sponsored by the State governments came into being as technological necessities, such as serving an entire region.

We shall now briefly sketch out the types of new agencies for urban development that have come up in recent years.

i) State departments: In many of the States the departments of public works, health (public health engineering), housing, irrigation and water ways, development etc. are directly

13. Report of the Rural-Urban Relationship Committee, op.cit.
p. 16

involved in urban development activities. Departmental organisations differ from State to State. Also complete information about the organisation and functions of various State departments is not readily available. Even then, it is safe to generalise that States having full-fledged public health engineering organisations (under the departments of health, public works, local self-government etc.) do undertake construction of water supply and sanitation work on behalf of the municipalities. In some of the cities of ex-princely States, water and sanitation works are still handled by State departments. Similarly, construction of municipal roads, bridges etc., are undertaken by the State Public Works Departments. Reclamation of water logged areas in certain cities like Bombay (Back Bay Reclamation) and Calcutta (Salt Lakes Reclamation) is also done by the State irrigation departments. Similarly, in many of the States where public housing is handled departmentally, the State departments of housing or public works are responsible for their construction and maintenance.

ii) Special purpose bodies: Apart from the State departments, in many of the States, ad hoc statutory bodies are created to undertake specific urban development functions, of which improvement trusts are the most common examples. Since Independence, almost all the States have constituted electricity boards under the Electricity (Supply) Act, 1948.

These boards exercise State-wide jurisdiction and are not created for specific urban areas.

Recently, two States - West Bengal and Mysore - have created metropolitan water and sanitation boards to take over the construction and maintenance of water supply, drainage and sewerage systems in Calcutta and Bangalore from the existing municipal bodies in the two metropolitan areas. The thinking is gaining ground that the treatment of raw water and disposal of sewerage should be planned on a regional or metropolitan basis while local distribution of water and disposal of sewerage may still be left with the respective local authorities.

So far as housing is concerned, six states - Andhra Pradesh, Maharashtra, Gujarat, Madhya Pradesh, Madras and Mysore - have created housing boards with State-wide or regional jurisdictions. The Centre is also actively considering the creation of a Central Housing Board to coordinate the State boards and to meet the needs of the Union Territories. In those States where housing is handled departmentally, there is serious thinking to constitute statutory housing boards.

For the construction of new townships, a few States have created statutory township development authorities, as in Chandigarh, Bhubaneswar and Durgapur. However, many of these State-sponsored townships are being developed directly by the State departments, e.g. Kalyani in West Bengal.

iii) State Undertakings: The most important State undertaking that has emerged in the post-Independence era, relates to urban transportation - both local and long distance. Generally

speaking, these are organised as public corporations. Almost all the States have their own road transport corporations which operate under the Motor Vehicles Act, 1939. These roadways cover smaller urban areas and also cities where there are no municipal transport systems. In West Bengal, the State Government owns the gas company which supplies gas for domestic and industrial use in metropolitan Calcutta.

The foregoing account is admittedly a hurried sketch of the growth of new agencies - departmental, special purpose bodies and public undertakings - charged with responsibilities for developing the urban infra-structure. Initially, many of these new activities were undertaken directly by the State departments, and with the passage of time some of these functions have been transferred to specially created agencies. Housing, township development, and urban transportation are examples of this trend. Another discernible tendency seems to be regionalisation of many of these activities, like electricity, transport, housing, water supply and sanitation. The existence of a number of bodies with urban development functions raises the problem of coordination of these authorities in a specific urban area. Multiplicity of agencies not only prevents thinking in terms of comprehensive urban development, but also delays execution of decisions arising out of mutual discord, indecision, and lack of overriding authority for the urban areas as a whole

UNSOLVED PROBLEMS AND THEIR SOLUTIONS

Legal Inadequacy

The legal inadequacies standing in the way of regulated and planned urban development are of two types: i) absence of suitable legislations for town and country planning, and ii) procedural obstacles in the legislations for land acquisition. These are now discussed in turn.

i) Town and Country Planning legislations: The first town and country planning law was passed in Bombay as early as in 1915 followed by a similar legislation in Madras in 1920. The 1915 Bombay Act was later superseded by the Bombay Town Planning Act, 1954 and again by the Maharashtra Regional and Town Planning Act, 1966. The shortcoming of the earlier acts was that town improvement was conceived in parts and not for the entire town. Essentially, therefore, these acts followed the improvement trust approach to town planning and were not concerned with comprehensive urban planning.

The Bombay Town Planning Act, 1954, is the first comprehensive town planning legislation in India. This was followed by Assam in 1960 and Mysore in 1961. In Uttar Pradesh, the Nagar Mahapalika Adhiniyan, 1959, is both a law for plan preparation, as well as for its implementation.

The Bombay Act of 1954 empowered the local authorities to plan within their respective jurisdictions. Under the Madras Act of 1920, the local authorities may plan within their areas

and in the vicinity, while the municipal corporations in Uttar Pradesh can operate their planning functions beyond two miles of their city limits. In Mysore, the local authorities are responsible for planning within their jurisdictions, although the State Government may create planning authorities for the city and other areas beyond its limits. These may be set up for a group of rural and urban local bodies. The Assam Act empowers the State department of town planning to prepare plans for any urban area and constitute special authorities to enforce these plans.

We can thus see that except in Assam, in all other States having comprehensive town and country planning legislations, the urban local authorities are also the planning agencies. The responsibility of the local bodies for planning outside the city limits is not uniform, but there is a clear recognition for such planning, and its enforcement. If the local government authorities are chosen as development agencies as well, there is no reason why their planning jurisdictions cannot be extended suitable beyond the city limits. Where this is not possible, a joint planning board can be created by combining urban and rural local bodies, as in Mysore.

In quite a few States there is legislation for the purpose of controlling land use. The U.P. Regulations of Buildings Operation, Bihar Restriction of Uses of Land, Madhya Pradesh Town Periphery Control Order, Punjab Capital Regulations

Act, Chandigarh Periphery Control Act, and the Calcutta Metropolitan Area (Use and development of land) Control Act are examples of limited planning legislations. These acts are only methods of negative control and are no substitutes for proper town planning statutes.

ii) Land acquisition law: The basic legislation for land acquisition by a public authority is the Land Acquisition Act of 1894, which is a Central act. Following the Central act, most States have passed their own land acquisition laws which are in the nature of adaptations of the Central act. One of the main difficulties in land acquisition for public purposes, such as slum clearance, urban redevelopment, housing, building of satellite townships etc., is the complex machinery and procedures involved in such acquisition. However, it is not easy to streamline the legal procedures, as this involves the private property interests. The administrative aspects of land acquisition can be suitably reorganised by the States, e.g. by creating special courts or tribunals, appointing qualified land acquisition officers and the like.

Apart from the procedural delays and complexities involved, speedy land acquisition has become difficult owing to the insistence by the courts that compensation must be based on prevailing market value.¹⁴

14. West Bengal Settlement Kanongce Cooperative Credit Society
VS. Mrs. Bela Banerjee (A.I.P., 1951, Cal.111)

It has been suggested that by ante-dating of compensation or by advance acquisition, the cost of acquiring land in urban areas may be kept within the limits of practicability. But so long the courts have the power to decide the principles for determining compensation, ante-dating or advance acquisition may not be of great help. The only way out of this impasse is perhaps to amend Article 31 of the Constitution and to make the principles of determining compensation for urban land acquisition non-justiciable.

The Question of Agency

Throughout our discussion on the machinery for urban development, we have seen how various experiments have been made with new types of institutions, rather than relying upon the established statutory local government units. Two exceptions to this tendency are - Bombay after the amalgamation of the improvement trust with the city corporation in 1933, and Delhi after the constitution of the city corporation by amalgamating ten local authorities, one electricity board, one transport authority and one water and sewerage board in 1958. It is notable that the Delhi Municipal Corporation Act, 1957 is largely based on the Bombay City Municipal Corporation Act, 1868. In Delhi, the erstwhile improvement trust was converted into a development authority at the time of municipal reorganisation in 1958, and in this respect the set-up is different from Bombay.

On the opposite extreme, in the Calcutta metropolis there are still three city corporations, thirty one municipalities, areas of four zilla parishads, two improvement trusts, one transport corporation and a host of other special purpose bodies.¹⁵ The proposed reorganisation of the local government system, as outlined in Calcutta's Basic Development Plan (1966-1986) carries this tendency of fragmentation of authorities to almost logical extremes. "As against the numerous State and local agencies now operating in the Calcutta Metropolitan District the reorganised system proposes the establishment of a statutory planning authority with capital budgetting functions, metropolitan functional authorities for water supply and sanitation, traffic and transportation, education; (river bridge, parks and recreation, bustees improvement, housing)¹⁶ etc., three local (area) planning and development authorities to cover the entire metropolitan district, and consolidation of more than 30 municipal bodies."¹⁷ Thus, in Calcutta, the

15. Leslie Green and Abhijit Datta, Special Agencies in Metropolitan Calcutta: A Comparative Study, 1967, "Government in Metropolitan Calcutta", by Mohit Bhattacharya, Indian Journal of Public Administration, Octo. - Dec. 1965

16. Illustrations within brackets are inserted by the author and do not appear in the original source.

17. "The Administrative Vacuum in Indian Planning Law", by M.G. Kutty, paper submitted to the 15th Annual Seminar, Institute of Town Planners, India, held at Bhubaneswar, 1966.

tendency seems to be that of atomisation rather than consolidation of urban development agencies. How all these multitude of agencies can be effectively coordinated defies imagination. If it is not found practicable or desirable to consolidate all the local government units in the metropolitan area, a better solution may have been to constitute a single statutory multi-purpose development agency for the entire urban complex.

Regarding the necessity of constituting development authorities in the bigger urban and metropolitan areas also, one can entertain reasonable doubts. From past experience of the strained relations between the municipal bodies and improvement trusts, it seems likely that the situation would not be very different when the latter are converted into development boards. This is amply borne out from the experience of Delhi, where the Delhi Development Authority "has been seriously handicapped in its plans of development and expansion as it does not have any powers to synchronise its development activities with the provisions of water-supply, sewerage and drainage facilities, which continue to be managed by the Municipal Corporation." 18

The real issue in this context is: What exactly should be the role of the urban local government bodies with regard to urban development? There is an undercurrent of thinking in

18. Report of the Rural-Urban Relationship Committee, op.cit. p. 51

the country, with the notable exception of Bombay, that the local government institutions as they are today, should not be entrusted with the responsibilities of local development. The municipal bodies, for instance, lack trained personnel and suffer from chronic shortage of funds. But, these defects are inherent in an underdeveloped country like India, and the higher levels of government - at the States and in the Centre - are better off on these counts only in a relative sense. The argument that the local government bodies are political institutions and, therefore, not to be relied upon might have been valid in the heyday of improvement trusts before Independence, but smacks of absurdity in the present context. Local development is a local responsibility - and no institution can discharge this function more effectively than the democratically elected local self-governing bodies, despite their inadequacies and limitations.

Commenting on the relations between the improvement trusts and the municipal boards, one writer remarked: "Let us then take a lesson from history and leave the idea of creating separate bodies for developing the towns. Let the whole affair of securing a 'Planned Development of Towns' be the charge of the Municipality or City Corporation as the case may be, in addition to its normal duties."¹⁹ It is significant that this remark came from a representative of the erstwhile Lucknow Improvement Trust.

19. "Town Planning Legislation in India", by. V.N. Chadda, Proceedings of the South East Asia Regional Conference, New Delhi.

In Bombay, city development functions are the responsibility of a statutory committee of the city corporation, which is called 'the town improvement committee'. Such a committee with, say, five or six elected members of a city corporation, two or three technical experts, including the chief executive and the town planner of the corporation can operate quite well in our major cities and metropolitan areas. Where a metropolitan area consists of numerous local government bodies, these can be amalgamated as in Delhi, or annexed with the principal city, as in Bombay. If such unitary type of reorganisation is not favoured, a federation of local authorities on a two tier system as in Toronto or London, may also be tried - the upper tier body being responsible for metropolitan functions, while the lower tier bodies may be left with only local activities. But any attempt to undertake local development in the vacuum of local government is unlikely to succeed in the long run.

The Problems of Finance

With the acceptance of the idea of planned urban development in the country, the problem of financing the various urban development schemes becomes an integral part of the overall system of planning. Unfortunately, however, in the formulation of the five year plans, no attempt has so far been made to assess the need for external assistance and the internal resource potentialities in specific urban areas for development purposes. This has happened partly because

of the exclusion of the urban local authorities from the national planning process, and also due to the failure of these authorities to project their fiscal needs and requirements in terms of fiscal programming or capital budgeting.

The Planning Commission became aware of this problem during the beginning of the Third Five Year Plan and directed the State Governments to prepare comprehensive city development programmes for cities with a population of one lakh and over. Capital budgeting is the fiscal counterpart of the capital improvement and development programmes. Within the framework of such a budget, the various implementing agencies adopt specific programmes. The phasing, priorities, methods of financing etc. of various plan proposals are worked out in detail in relation to the development of the urban areas covered by the city development programme with the aid of capital budgeting techniques. Adoption of capital budgeting also ensures inter-agency and inter-scheme coordination in the urban areas, provided this is backed by authority.

We now turn to some of the major issues relating to the needs for external financial assistance and the potentialities of internal financial resources for urban development.

i) External assistance: It is obvious that a major part of finance needed to develop our bigger urban centres and metropolitan areas has to come from budgetary allocations of the Centre and the States, as also from various non-plan sources like the Life Insurance Corporation, provident fund

accumulation etc. The plan provisions for the various components of urban development have so far been woefully inadequate. It has been estimated that finance of the order of Rs. 1,000 crores is needed to provide safe drinking water to all the urban areas.²⁰ At the present rate of progress, it would take at least 10 to 15 years more before the minimum needs of water-supply and sanitation in the urban areas could be met. The order of financial requirements in the metropolitan areas are also staggering. The Delhi Master Plan, for instance, envisaged a capital outlay over a five year period of about Rs. 135 crores. Bombay's requirements might also be placed at around Rs. 200 crores if the Bombay Master Plan is to be implemented. The Basic Development Plan of Calcutta estimates an expenditure of about Rs. 100 crores during the Fourth Five Year Plan for which the State Government is prepared to commit only Rs. 30 crores, and the rest Rs. 70 crores is left uncovered, presumably to be financed by the Centre. Similarly, a conservative estimate of the borrowing requirements of local governments is around Rs. 100 crores per year.²¹

Against this background of needs, the resources available for developing social overheads in the five year plans are woefully inadequate. On the other hand, as the major emphasis of our national planning is to develop the economic base, it is unrealistic to expect a significantly

20. Report of the Seminar on Financing and Management of Water and Sewerage Works, Government of India (Ministry of Health) 1964, p. 16

21. "The Challenge of Urban Growth to India's Local Government" by P.R. Nayak, in Roy Turner (ed.) India's Urban Future, 1962, p.374

higher priority being accorded in the plans for the urban development schemes. In other words, the total available Central assistance being limited for urban development purposes, it is necessary to use plan funds primarily for developing the bigger cities and metropolitan areas, where the situation is more desperate. For development of small cities and other urban areas, the State Governments should try to find the major portion of finance required.

At the same time, in one important respect the pressure on plan finance can be substantially reduced - that is, by limiting plan assistance only to projects which are not productive in a financial sense. If suitable institutions could be created to cater to the borrowing needs of the urban local authorities for manifestly productive schemes on water supply and sanitation (in the larger urban areas), housing, land development, public utilities, markets and the like, then the plan funds can be utilised only for providing lump-sum subsidies.

Thereby, the present practice of converting plan loans into grants for the sake of expediency, would be a thing of the past.

The creation of a loan agency for urban development might take the form of a development bank which could be financed jointly by the Reserve Bank of India, the Life Insurance Corporation, the State Governments and the commercial banks - more or less on the lines of the State Financial Corporations. Such an urban development bank can offer long term loans to municipal

governments, water and sanitation boards, improvement trusts/development boards, housing boards and public utility undertakings.

ii) Internal resources: The raising of increasing volume of local resources is a sine qua non of local government. As a consequence of fragmentation of authorities in the urban areas, the local resource base is also fragmented, and this poses a problem to the concerned authorities. Very often special purpose bodies, like, the housing boards, improvement trusts/development boards neglect this vital source and depend too heavily on the State Governments for operating finance. This is not only an inefficient method of resource utilisation, but this leads to other complications as well. Any transfer of funds from the State means curtailment of activities in other important spheres, and also diversion of resources from other areas. Continued subsidisation of the urban services at the cost of rural amenities, or vice-versa, may not be a practical proposition in the long run. Moreover, utilisation of the States' tax base by the local authorities runs the risk of breeding laxity and inefficiency in them. From this point of view, the water and sanitation boards are likely to be more responsible, because of the assignment of water tax to those bodies.

So far as urban local government authorities are concerned, they will have to streamline their taxation machinery and financial administration to a substantial degree, before asking for

increased grants from the State Government. Moreover, deepening of the existing taxes and widening of the local tax base are also to be pursued vigorously. Here also, the local authorities must convince the State Government that all the existing sources have been fully utilised, before the latter could consider the question of assigning new taxes to, or sharing certain taxes with the former.

It is important for the urban local government authorities to drive home the point to the local tax payers that improved urban services have to be paid for. Resorting to special cesses or imposition of tolls have this important educative aspect. Where this is not possible, sustained efforts by the local authorities to familiarise the public regarding the costs and benefits of their improvement and development activities may prove fruitful in lessening resistance to pay local taxes.

As the tempo of urban development activities increases, the urban local authorities are likely to run into debts, and the repayment liability will constitute an important item of local expenditure. This possibility should be taken care of through judicious tax planning. The comparative merits and demerits of alternative methods of financing specific projects should also be studied and the results widely publicised, before the local tax payers are asked to foot the bill.

The issue of competitive tax jurisdiction at the local level among the local government authorities and the various special purpose bodies and even the State Government cannot be easily resolved except through a machinery like the State Finance Commission, which may be constituted quinquennially in every State to examine the financial relations between the State Government and the local authorities, as also among the local authorities inter se.

CONCLUSIONS

The Third Five Year Plan made concrete proposals for a coordinated urban development programme and called for strengthening of municipal administration for undertaking the new responsibilities of development and planning. Unfortunately, these proposals "could make no progress in the absence of any clear policies about the organisation of municipal government."²² It is primarily upto the State Governments to "direct their attention to the task of giving local bodies adequate finances and powers and a suitable machinery to play their proper role."²³

The responsibility of the Central Government in the field of urban development lies mainly in working out a national policy towards urbanisation and its consequential problems, developing suitable guidelines to the States to work out detailed programmes of action, and provide adequate financial assistance under the five year plans to the various agencies for implementation of urban development programmes.

22. Report of the Rural-Urban Relationship Committee, op.cit

23. p. 14. Ibid., p. 17

The role of the upper tier governments in local development should be limited, as far as possible, to creating the framework and providing necessary financial and technical assistance to the grass-root institutions that are directly involved in programme execution. Examples of such activities would include the setting up of new institutions, such as, the urban development bank; training centres for municipal executives and technicians; promotion of improved legislation on town planning; regional boards for water supply and sanitation; regional planning agencies and so on. We have already referred to the model town and country planning legislation prepared by the Central Regional and Urban Planning Organisation and circulated among the States for adoption. A similar model legislation is under preparation which deals with the problem of industrial wastes and effluents. Setting up of expert committees to study particular problems relating to urban development also comes under this category. In recent years, a number of committees have been set up at the Centre and in the States to study and make suitable recommendations on such topics as urban land policy, augmentation of financial resources of the urban local bodies, rural-urban relations, town and country planning legislation (West Bengal) State-local grants (Kerala and Gujarat), Urban planning (Maharashtra), etc. Apart from these official documents, a number of socio-economic

surveys of bigger cities and metropolitan areas have also been prepared by various research teams with financial assistance from the Planning Commission.

The administrative structures at the Central and States' levels also need streamlining from the point of view of unifying the responsibility for the various components of urban development. In the Centre, urban development responsibilities are presently shared, in the main, by two ministries, viz., the Ministry of Health and Family Planning and the Ministry of Works, Housing and Supply, in addition to other activities. In the States, except in Maharashtra, the situation is even more chaotic. It is to be hoped that the Administrative Reforms Commission will come out with suggestions for re-organisation of the administrative machinery from the point of view of speedy implementation of the development programmes. Although local administration does not directly come within the purview of the Commission, rationalisation of administration in the upper tiers of government will have far-reaching impact on local administration and development in the urban areas.

ADMINISTRATIVE AND FINANCIAL ASPECTS OF CITY DEVELOPMENT PLAN

by

Shri Gian Prakash and Shri J.P. Sah

(Paper submitted at the First Orientation Course in Development Administration during March to May, 1965 organised by the Indian School of Public Administration, New Delhi).

ADMINISTRATIVE AND FINANCIAL ASPECTS OF CITY DEVELOPMENT PLAN

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Shri Gian Prakash and Shri J.P. Sah

In the context of rapid industrialisation and consequent urbanisation in the country the city development plan have an important part to play in directing urban development. What do we understand by city development plans ? Why do we need to have them and what is the rationale or justification behind them ? How are they conceived or formulated and how do they actually get enforced, executed and implemented ? These are some of the important questions which call for an answer before the administrative and financial aspects of city development plans can be properly appreciated.

Each one of us is fully aware of the evil consequences of chaotic urban growth. Slums, blight, over-crowding, congestion, insanitation, traffic problems, scarcity of basic necessities like water supply, schools and hospitals etc. - all these are a manifestation of a much deeper malady, namely, lack of planning and direction in urban development. The social and economic costs of all these urban problems, though not easily assessable are not difficult to visualise. They are indeed immense!

Cities have grown and continue to grow even when there are no plans, and the growing requirements of the urban areas

have to be provided for. And this is done in an ad hoc manner with a narrow perspective. The sum total of all such diffuses, un-coordinated and apparently invisible investments works out to a substantial amount. If all these investments are made as a part of a well-conceived, coordinated, long-term plan, a good deal of over-lapping and wasteful expenditure would not only be avoided but become much more effective and economical. In this sense planning does not entail any special financial burden on the community. On the contrary it minimises many an economic and social cost. More so because a healthy and convenient physical environment adds to efficiency and productivity of labour, minimises cost of commutation for journeys to places of work, shopping and recreation. It reduces the incidences of disease, delinquency, crimes, fire and traffic accidents and public expenditure thereon. In the long run investment over planned development should prove much more economical, useful and remunerative than an equal investment incurred without a plan.

In our country rural development has already received, and rightly enough, the priority that it deserved and plans for the rural areas are in operation ever since the First Five Year Plan. The urban areas have, however, not been involved organically in the national planning process except perhaps in a casual and peripheral manner in a few instances. Since 'urban' and 'rural' are like the two sides

of the same medal it is illogical to plan and develop one and leave the other out of reckoning. Failure on our part to plan the urban areas may give a new turn to rural-urban dichotomy and worsen the urban problems. All the talk about "planning from below" would be a mere lip service unless planning is undertaken at all lower levels, be they rural or urban.

City Development Plans, also known as general, comprehensive or master plans may be described as long term plans for guiding and directing the present and prospective development of the cities. The primary focus of such plans is physical development, especially the rational allocation of land for various uses and their proper juxtaposition and inter-relationships. These plans are not concerned with just a few specific aspects of physical development but they are virtually concerned with all these matters which make the urban environment more healthful, functionally convenient and efficient and aesthetically pleasing and attractive. That is the reason why they are termed as 'comprehensive plans'.

Besides designating land for various present and future uses, good city development plans contain proposals relating to densities: highways, roads, streets, bridges and terminal facilities, public utility services like supply of water and power, sewerage and drainage; community facilities like schools, hospitals, health centres, parks and play grounds, open spaces and green belts; civic design and architectural features; and

recommendations on administrative and financial aspects of physical development. In other words the important elements of city development plans are: a land use plan (including zoning and sub-division regulations) a circulation plan, a plan for public utilities and community facilities, a plan for civic design and public buildings and a fiscal plan and capital budget. All these elements are balanced, inter-related and coordinated with each other so that there are no inconsistencies or imbalances in their actual operation.

Being long term plans based on various estimates and assumptions they cannot, at any point of time, but be in the nature of broad outlines along which the use and dispensation of land and other physical development should take place. Thus these plans provide a broad frame of reference or a generalised perspective into which should fit the detailed precise plans, schemes, lay-outs etc., as and when they get prepared or are considered. How complex and detailed such a plan is would depend upon the size of the urban community and the problems it is faced with.

City development plans are plans for the optimum organisation of land use and community environment. But the use to which land use to be put or the type of environment which is proposed to be created is, in the final analysis, only a manifestation of the economic, social and cultural needs and aspirations as well as the financial, administrative

and organisational capacities of the community. Even to crystallise the land use plan and other elements of the comprehensive development plan the nature of the community's economic base, its techno-economic development potentialities, its social and cultural organisations and its financial and administrative aspects have to be thoroughly understood and clearcut goals in respect of all these pre-determined. City Development Plans have thus not merely physical but in an equal measure economic, social-cultural, financial and administrative dimensions also. A good city development plan must represent a happy synthesis of all these dimensions otherwise it would turn out to be grossly unrealistic and impracticable.

A city development plan is not a single plan but, more correctly, it is an integral or multiple plan. In a way one could say that what the city development plan conceives is a hierarchy of plans of different order of precedence. There is the "master" or comprehensive plan and then there are subordinate or precise plans like zonal development plans, redevelopment plans, highways plans, utility plans etc. The Master Plan for Delhi very aptly describes this characteristics of a city development plan when it states:

"The effect, scope and authority of these types of plans is also differentiated. Whatever the combination required in a given setting, the master plan is master: it is broadest, longest and highest of the hierarchy of plans. Broadest in the sense that its scope over developmental factors is greatest, it is longest in its time period; and highest in that it controls and binds all other plans pertaining to the same factors. The plans are within a wide range, relatively short-termed, limited and detailed."

Looked at from another angle a plan is in the ultimate analysis a set of programmes. To quote the Delhi Master Plan again:

"To be capable of implementation, a plan has to be a programme; it cannot be a map or blue-print, or a sketch of a completed installation or described condition. It is the intervening activities which comprise the essential substance of a plan, the things that have to occur between the statement of a plan goal and concrete result. Implicitly, therefore, a plan may be said to incorporate the activity which is required for its implementation. Before a plan may become a reality what was implicit must be made explicit."

In other words plan must be converted into precise, concrete, tangible programmes.

The type of plans described by us do not in themselves mean much. Their true meaning lies in their being conceived in the context of the planning process itself. As Delhi Master Plan has rightly, (observed): "Development goals do not conceive themselves. Neither do they carry their own approval; nor will they implement themselves." It, therefore, implies that the nature of the planning process be understood. The planning process involves a series of interlinked and even overlapping stages of administrative activity. In the first instance, planning means appreciation of needs and requirements of a city and preparation of plans. The second step in the planning process is the sanction or approval of the plans by the appropriate, authority or authorities. Thirdly, the plans prepared are to be enforced and implemented; and lastly the plans have to be reviewed, revised

and prepared afresh in the light of the changed context or the experience gained in their implementation and enforcement. Planning thus "is a continuum, a seamless process of preparation, sanctioning and implementation." The various administrative and financial implications of the plans conceived as a process of planning activity may now be discussed.

One of the initial steps in the preparation of a city development plan is to determine the appropriate "planning area." Every urban area is the creation of the social and economic forces operating over a much wider plane. An urban area does not exist in isolation nor does it function aimlessly and in vacuum. Through a network of mutually inter-dependent social, economic and cultural processes it is linked with the area around it. In relation to this wider area, which may be rural or semi-urban or even urban, it plays a certain role. For scientific city planning this inter-activity field or the area covered by the network of socio-economic and cultural relationship between the city and its hinterland has to be taken account of especially to enable planning of balanced rural-urban relationship. It becomes necessary also because an urban area is a dynamic entity. With growth in its population and its multifarious activities over time, it tends to expand and gradually engulf the rural or semi-urban area surrounding it. Because of these reasons even when plans are made for cities the "planning area" delineated by the planners may extend beyond

the urban limits - the size of the planning area depending upon the size and circumstances of the city in question.

After the planning area has been delineated the next step is to set up certain long-term goals and standards for it. As already stated, the goals that city development plans formulate are not confined to land use or physical developments, but they are related also to the social, economic, cultural and aesthetic needs, aspirations and resources of the community. Even the land use or physical goals are an expression of some aspects of the broad economic and social needs and objectives of the community. To formulate plan-goals is no easy task. It demands a very laborious process of assembling, sifting and analysing of a huge mass of heterogeneous data pertaining to the community's physical, socio-economic, administrative, financial and organisational condition. It also requires a thorough investigation into the community's development potentialities. On the basis of a good deal of intensive research, discussion and deliberation, the future developmental goals get crystallized.

The surveys and investigations that have to be made and the data that have to be collected and analysed for preparing a comprehensive plan involves a long and arduous process. It, therefore, takes a few years - especially in the case of large cities and metropolitan areas - before such a plan can

be formulated. The Delhi Master-Plan took about five to six years to get ready. The Calcutta Metropolitan Planning Organisation is busy in this work for about five years and they have yet to formulate a plan for Calcutta. The developments during the period a comprehensive plan is under preparation cannot be expected to come to a stop nor can they wait till such a plan is ready. In growing urban areas, pressures of demand for various types of developments make it necessary that whatever further developments take place they must not come up in a haphazard manner. Then there are the speculative activities. These increase considerably the moment a city decides to have a master plan. The need for preventing speculation and haphazard growth by some administrative and other measures, therefore, becomes imperative. Apart from advance notification of land for public acquisition thereby stopping all speculation and undesirable construction activity, control is also exercised through what is called an "interim general plan" or "outline development plan."

This interim general plan is tentative and not as refined as the comprehensive plan but it serves well the purpose of preventing haphazard development and speculation during the period the comprehensive plan is under preparation by regulating all development activity in accordance with the guidelines provided by it. This is possible by giving legal backing to the Interim Plan. After a comprehensive plan is prepared and approved, the interim plan is superseded by it. In so far as the planning process of preparing, sanctioning and implementing

plans is concerned the interim plan does not at all differ from the comprehensive plan and has to undergo all the formalities and procedures which a comprehensive plan does except that public objections are invited against it only when it has been given the force of law.

An important consideration in comprehensive city planning in India is the need to relate the goals, objectives and priorities of the city development plans with those of the National and State economic and fiscal policies and the Five Year Plans. We all know that our country's economic development plans envisage a certain perspective and embody a number of goals and social objectives. These goals and objectives are national in character having been approved by the National Development Council and the Parliament. While preparing comprehensive development plans for cities, it becomes very necessary to ensure that the goals and priorities laid down in the economic development plans. If this is not done it is most likely that the city development plan may at times be inconsistent with or even run counter to the objectives and priorities of the State and National economic planning policies and programmes. Such a situation where city plans and National/State Five Year Plans pull in two different directions will militate against the national interest and exercise a drag on the country's economic growth. After all the National and the State Plans affect and are affected by the city-plans which

should be conceived as one of the constituents in the national planning process as a whole. Certain harmony in the constituent elements has to be there to make planning free of frictions. It is this question of relating urban planning with National/State economic planning which in the Indian context requires much more attention than it has hitherto been given to by planners and administrators dealing with city development plans. This relationship is very necessary because planning has to be an integration of the city plans with the district plans and of district plans with State plans just as State plans have to be integrated with the National Plans.

By the very nature of the types of data that have to be skillfully handled, the organisation that is responsible for preparing a comprehensive or master plan must have a team of Planners drawn from various disciplines like physical planning, architecture, engineering, economic, demography, sociology, geography, public administration, public finance and law. This multi-discipline team has to work in a team-spirit, inspired and motivated only by a keenness to formulate plans which will maximise the welfare of the community at the minimum possible economic and social cost. It is, however, a pity that most of the planning organisations in our country do not have such interdisciplinary team of planners. This is mainly because of the lack of adequate awareness of the nature of the plan-preparation work. Partly it is due to the alleged costliness of such planning teams. The financial argument, however, is shortsighted because

the damage that half-backed plans can do to a community can be disastrous socially, economically and financially. A planning team consisting of high level expertise, especially in economics and fiscal planning, would save the community a good deal of expenditure on wasteful or infructuous projects. The very plan they help prepare would be conducive to savings - private and public. The advantages of having good interdisciplinary planning teams is thus quite obvious.

In the functioning of such a diversified team consisting of experts in various fields there is a difficulty in as much as each of the experts is generally prone to look at any problem from the angle of his own speciality. It is also very likely that different specialists may not see eye to eye in the matter of basic approach and policies. To bring about a proper coordination in the working of the team so that the thinking and judgement of various subject ~~-matter-~~specialists is properly synthesised and integrated into planning decisions becomes an important administrative task. It raises the important issue of whether a generalist administration should be the coordinator of a planning team or it should be a specialist technician. Without entering into this controversy it can be safely observed that whoever acts as a coordinator of a planning team must be an intelligent, enlightened person possessing a broad perspective, wide social awareness, faculty to appreciate the points of view of different disciplines and,

above all, a capacity to take unbiased, balanced decisions. More important than that is to lay down a work methodology and set of procedures within the planning organisation which will make for adequate coordination without at the same time hampering the different disciplines engaged in plan-preparation from contributing their best.

In all urban areas and more particularly in the bigger cities and metropolitan areas there often exist, besides the Municipal Corporation or the main Municipality, several small municipal authorities and other public bodies. Each of these authorities is responsible for one or several aspects of urban development. These authorities with certain limitations, play the role of plan-preparing and plan implementing agencies. Thus, for example, in some cities and towns there are the Improvement Trusts dealing with development of land and other improvements. In others, there are the Housing Boards engaged in the task of providing dwellings and, sometimes, related facilities. Similarly various departments might be looking after their respective services or functions, e.g., the State Medical Department might be providing and maintaining the hospitals; the State Education Department may be concerned with education, specially post-primary education and the University with higher education; the State Electricity Board might be looking after electric supply and the State Road Transport Authority may be responsible for running the city transport service. Then in

many urban areas the railway authorities, the defence authorities, the highway authorities and a host of other Central and State Government departments are found operating. Their actions also do influence urban development in some measure.

All these organisations, agencies or departments may be termed as "action agencies" in so far as the plan is concerned. Most of them are skilled or semi-skilled bodies preparing and executing their own plans, programmes or schemes... They are, no doubt, best suited for the function of preparing "precise plans" because they possess better expertise in the techniques of their own programmes, have a more intimate awareness of the needs, requirements, technical feasibilities and administrative and technical difficulties in regard to their own service or function. Each of such agencies, however, lacks the diverse skills, and the perspective needed in preparing an all-embracing comprehensive plan or a master plan.

The existence of a large number of specialised action agencies operating at the city or metropolitan level raises two very important administrative issues; firstly, whether any of the existing action agencies could be considered suitable for being entrusted the function of preparing an overall city development plan; and secondly, what should be the relationship between the agency entrusted with the preparation of an overall city development plan and the other action agencies. The first question should not be difficult

to answer. A consideration of the nature and activities of the various action or operating agencies or organisations should eliminate, for reasons stated earlier, all of them as unsuitable for this overall responsibility excepting perhaps the urban local body and the Improvement Trust. An urban local body or even the Improvement Trust might be considered as the best of the action agencies because the former has a wide range of civic functions whereas the latter is essentially an urban development agency, though in a limited sense.

Even in accepting any of these two organisations as the overall planning agency a serious difficulty has to be encountered. This difficulty arises partly out of the concept of a comprehensive plan and partly out of administrative and political considerations. As discussed earlier in the planning of any city or metropolis the most desirable 'planning area' from various technical considerations would most often, also extend beyond the territorial jurisdiction of the urban local body or the Improvement Trust. If the Municipality or the Improvement Trust is entrusted with the function of preparing a comprehensive city development plan it is apt to confine the preparation of the plan to its own territorial jurisdiction and to view things from the angle of their own limited interests. This, however, may be irrational as the need to control and plan development on the environs of the urban areas may be as urgent as planning within the city limits. Sometimes they may be inclined to bring industries within the municipal limits whereas planning consi-

derations may warrant their being located elsewhere. The Bombay Master Plan prepared by Bombay Municipal Corporation is a good example of how a limited perspective can lead to the preparation of a plan which does not satisfy scientific planning principles and is bound to lead to lopsided growth.

The point we are trying to make is that once the planning area extends beyond the normal city limits it becomes necessary to associate with plan preparation other local bodies within whose jurisdiction the planning area outside the city limits may lie. The local bodies may be rural as well as urban. In the case of major towngroups, the planning area may cover a number of municipalities and town/notified area committees and these local bodies may not always be too eager or enthusiastic about the planning business. This difficulty could be partially met either by extending the municipal limits or by conferring upon the local body or the Improvement Trust limited extra-territorial jurisdiction. It will, however, be too complacent to assume that any of these three alternatives provides an easy solution. The moment municipal limits are extended the newly incorporated rural areas claim equivalent level of services which may not be feasible financially or administratively. So rural-urban tensions build up. If the city municipality is given powers of control in the outlying areas, it becomes a case of rights without responsibilities which is not fair.

If the outlying area is declared a controlled area, control has to be exercised by some authority. If city municipality does this the above argument applies. If not, some new authority has to be created and its functions coordinated with the city municipality.

There is also yet another difficulty. Both the municipality and the Improvement Trust are too subjectively involved in local affairs. As such it is feared that sometimes they may be influenced by political considerations and by the pulls and pressures of various local interests - legitimate and vested. It is, therefore, felt that to entrust the important function of preparing an overall city development plan to a municipal body or to an Improvement Trust may not be the right course. In fact, the agency preparing a comprehensive development plan, it is argued, must be such that it is able to work independently without in any way being influenced, biased or prejudiced or by outside pressures and influences. There is a lot of appeal in this argument and consensus of opinion seems to favour the idea of creating an autonomous expert agency for preparing comprehensive city development plans outside the administrative control of the elected councils. Besides its being an independent organisation, its plan-preparation function must prevail over the entire planning area irrespective of the formal city limits.

The setting up of such an independent body to prepare plans becomes inescapable in situations where jurisdictions of

several local authorities are involved in the planning area. This independent body, which may be a Regional Planning Board or a regional unit of State Planning Board, must, however, maintain a close liaison with the concerned local bodies perhaps by giving them adequate representation on the Regional Board. Besides preparing comprehensive plans and coordinating inter-agency function in planning, this Board may even undertake some development functions itself rather than create another development agency for the purpose. Development of trunk roads, laying of trunk services and disposal of sewage etc. are some such activities which are for the benefit of several local authorities constituting the planning area and can best be performed by the overall bigger authority. For water supply etc. we may even have to have special purpose regional boards.

If we concede the need for an independent planning organisation or board different from what we have called the action or operating agencies, the second question, viz., that of the relationship between the planning organisation and the action/operating agencies and between the various operating agencies themselves, comes to the fore. By the very nature of its assignment, the overall planning agency or board cannot function in isolation or sitting aloof in an ivory tower. If it prepares a plan which has to be

truly "master" it must have a good system of a two- communication with all the action agencies - the action agencies feeding it with the information, data, schemes, plans estimates etc. which they possess and the planning agency communicating to them its own thinking, comments, suggestions and proposals etc. The need for communication is also there as between the various action or operating agencies themselves because many issues may have to be settled between the concerned agencies before and after the planning authority has decided upon any measure or policy.

Since the planning authority has to bring the precise, partial or short-range plans of the action agencies into concert it may on a number of occasions have to revise, modify or even disapprove of some of their schemes or plans. On many occasions the planning agency may desire to change the order or priority or the phasing of the action agency's plan or programme. All this means that the procedures for communications, review and revision must be suitably provided for. Also that the planning agency must be vested with adequate interpretative, directive and coordinative powers. In the light of these functions the planning authority has not only to be high powered but also a permanent one. These procedures and powers referred by us cannot be determined by informal arrangements. These have to be provided for in the acts, rules and regulations. The Delhi Development Act does, in fact, vest the Delhi Development

Authority with interpretative and directive powers. But inspite of a fairly good Act which governs its working, even this Authority does not have sufficient powers to effect coordination with the action or operating agencies functioning in the Union Territory of Delhi. This deficiency is, however, being met through informal arrangements. Informal arrangements work well only as long as the officials or office-bearers at the helm of the concerned organisations or agencies appreciate the need for and respond to coordinative effort. It would not be wrong to say that the success of informal arrangements is largely dependent upon personal equations which, once personal factors go amiss, become thoroughly unreliable.

Another aspect in the process of plan-preparation which neither the planners nor the administrators can afford to lose sight of relates to public participation. A City Development Plan, like any other plan, is for the betterment of the community. Obviously, the felt needs and aspirations of the community, which the planners have to take into consideration, can be best expressed by the people themselves. Planning involves certain regulations, certain controls and a certain discipline. All these tend to restrict individual liberties even though the restrictions and controls may be in the interest of the community as a whole. What a plan proposed does affect in a number of ways the community and the various interest groups that comprise it.

If a new road has to be laid or an existing one has to be widened or any area has to be changed from an existing use to another one, the private properties of a large number of individuals may be affected. These may have to be acquired and people rehoused somewhere else. It is, therefore, very necessary to prepare the community psychologically to appreciate the plan proposals and accept them in good grace.

The execution and implementation of ^{plan,} after it has been prepared, has to go through certain democratic processes in some of which people's representatives accord their sanction to plans, programmes and budgetary provisions therefor. With a view to make a plan express the needs and desires of the community so that the people have a sense of identification with the plans and also with a view to see that the plan would run a smooth course in the subsequent stages of its sanction and implementation it is extremely necessary in a democratic set up to take the people into full confidence. Administrators and planners engaged in the task of preparing plans would, therefore, be well advised to evolve procedures and arrangements through which participation by the community and various organisations and institutions like welfare organisations, colleges and universities, newspapers, clubs, chambers of commerce and industry and trade unions etc. would be forthcoming. The town planning acts to provide that plans be put out for public objections. Personal hearings also are given to the objectors. This,

however, is not enough and the concept of public participation must be considerably widened to enable constructive ideas, suggestions and comments to follow in and out of the planning organisation on a regular basis. By doing so administration of plans will be much more smooth-sailing than is ordinarily the case.

After a master or comprehensive city development plan has been prepared, it must be approved and sanctioned. Unlike the process of plan-preparation where the work is of the nature of research and analysis, in fact, a review of what the plan proposes and a decision about the choice of objectives. A comprehensive plan, as we noted earlier, comprises a hierarchy of subordinate plans belonging to a number of "action agencies." It, therefore, follows that plan-sanctioning has to be done by a number of agencies at various levels so as to relate sanctioning with governmental responsibility.

While the number of action agencies have to approve and sanction appropriate plans, no one agency can obviously sanction a plan which relates to a function or an area over which it has no jurisdiction. Needless to say, a plan which is applicable over the whole or more of the city or metropolitan planning area must be approved at that level. It follows that a comprehensive or master plan will require to be sanctioned by any agency which is hierarchically above the

individual action agencies. To illustrate the point we may refer to the Delhi example. The Master Plan for Delhi is applicable to whole of the Union Territory. It was prepared and adopted by the Delhi Development Authority. Thereafter it was placed before the Government of India who finally sanctioned it. Within the framework of the Master Plan, subordinate or precise plans are being prepared by a number of agencies, particularly the Delhi Development Authority, the Municipal Corporation, the New Delhi Municipal Committee and the Ministry of Works, Housing and Supply. In the States the Master Plans prepared or adopted by the municipalities or Improvement Trusts requires to be finally sanctioned by their State Governments. The State Government may, at its discretion, modify, amend or revoke a plan.

Another point to be noted is that if many agencies sanction their own subordinate plans it becomes necessary to make sure that these subordinate plans do not only conform to the overall plan but are well coordinated with each other in the matter of their priorities and phasing. This condition necessitates two things: firstly that suitable procedures for inter-agency communication and coordination should be evolved and secondly that there should exist somebody at a level higher than that of the action agencies so that it can obtain conformance and compliance from them. It also logically follows that such a body should be legally armed with powers to do so.

Even though plan-sanctioning is a quasi-legislative act it has "a major administrative component" in it. A good administration does not merely execute government policies but indirectly shapes them through its analytical and advisory functions. It places before the policy-makers an evaluation of the pros and cons of any draft policy.

Since in a democratic structure plan-sanction may have to be obtained from legislative bodies consisting of elected representatives of the people, it is extremely necessary that the legislators or the councillors are made fully aware of the planning proposals, their desirability and the various technical, social and economic considerations which have gone into their making. They must also be appraised of the difficulties and complications that are likely to arise if a certain planning proposal is not accepted by them.

Planning proposals are not ad hoc. Each planning proposal is indirectly related to various other planning proposals. Any major modification, non-acceptance or turning down of any one or two planning proposals is apt to necessitate a series of changes in the various development policies, programmes and schemes. For instance, an increase in the industrial area would necessitate commensurate increase in the residential counterpart and also in the programmes concerning public utilities. If the other consequential changes are

not made imbalances will develop. On the other hand reducing the industrial area may lead to weakening of the city's economic base. It is thus highly desirable that the legislators or councillors who ultimately approve or sanction the plan are properly briefed so that they can take a balanced view, come to right decisions and appreciate their own responsibilities. And herein lies the vital, though difficult, role that administration is expected to play in the process of plan-sanctioning, viz., that of proper briefing of policy-makers.

Now coming to plan enforcement and plan implementation, the first question is how city development plans are actually enforced, executed and implemented? To take up enforcement first, as we stated earlier, a plan implies certain regulations and controls. Thus for example ribbon development along the highways has to be controlled. The change of use of land from the one prescribed in the plan has not to be allowed. Open spaces and vacant plots have to be saved from being encroached upon by squatters. Checking of such undesirable activities is administratively as important to ensure development according to plan. These regulations and controls have to be enforced otherwise the plan would be violated and those very damages which it wants to avoid will occur. In the enforcement of the plan the public authorities resort to licensing and police powers. Various regulations, bye-laws, and licenses are some of the measures through which enforcement is done. To tackle

these and other problems like unauthorised construction, unauthorised squatting etc., police powers have to be invoked. The planning organisation and the operating agencies should ensure that their enforcement machinery is vigilant and effective. It is always a good policy to stop all growth which is contrary to the provisions or directives of the plan and which if permitted will disturb the balance proposed to be achieved. Otherwise vested interests build up pressures. The unauthorised colonies are an example of how, inspite of their having come up in violation of the laws, their removal bristles with political and administrative difficulties.

Plan implementation is something in which the public authorities play a more positive role. Here they execute or implement concrete works and schemes. As we have already stated at the beginning, a plan is a set of programmes. For implementing the city development plan the first important pre-requisite is to translate the plan-proposals into precise concrete, workable programmes. This is done by compiling an exhaustive list of all public works and capital improvements that the plan envisages over the entire plan period. This list is known in planning parlance as the "capital improvements programme". In addition to the capital improvements programme, a "public service programme" is drawn up. The cost and revenue implication of both these programmes are in the nature of operating and maintenance expenditure.

Another significant measure is to formulate a "long-term revenue programme." This revenue programme is formulated by way of a tentative revenue policy and indicates the relationship of expenditure to revenues. Exercises made along these lines provide a broad idea of the financial implications of translating the plan proposals into concrete programmes over the entire plan period. It should be obvious that all the cost and revenue implications are based on many assumptions and the actual estimates may change if these assumptions change.

As these programmes relate to a long period which the city development plan covers, it becomes necessary to work out the priorities in these programmes and to cut out those items of capital improvements and public services which are immediately required to be executed and implemented. This is done by drawing up a "capital budget" for a period of five or six years. Within the framework of this capital budget the various plan implementing agencies adopt the specific programmes concerning them and have the financial sanctions therefor through their annual budgets. The capital improvement programme brings out the capital investments needed during the five or six years period and also the operating and maintenance expenditure and revenues against them. If the capital budget shows any deficit, it has also to indicate the ways and means or the changes in the tax, loans and other revenue resources which will be necessary to raise the requisite financial resources to implement

the programmes. Needless to say that in drawing up a capital budget utmost care has to be taken to evolve a programme which will be realistic and within the capacity of the community.

In the Indian context there is an important factor which we mentioned earlier and which we must reiterate. It is the important fact that we have Five Year Plans for the economic and social development of the country. Since urban development is a part and parcel of national economic development, it is vital that the city development plans are linked up with the State and National Five Year Plans. This is not a very difficult thing to do. All that is needed is to make the capital budget conform to National and State economic planning objectives and priorities and then link it up with the State Five Year Plan, so that it becomes an integral, yet distinct, part of the State Five Year Plan. In this connection we may mention that the Planning Commission has already directed the State Governments to prepare for the urban areas, especially those which have a population of one lakh or more, city development programme and integrate them with State and National Five Year Plans.

The city development programmes that the Planning Commission actually desires can well be based on the types of "capital budget" we have discussed. Once this is done the problem of financial resources would be considerably relieved because any city development programme would

consist of a number of public works or public services which are actually a function of some existing agency or the other. To cite a few examples: the establishment of a hospital in a city may be the job of the State Medical Department; the establishment and running of a higher secondary school may be the legitimate function of the State Education Department; the city municipality is concerned with water supply, sewerage and drainage and sanitation, primary education, internal roads, parks and gardens, fire fighting etc., the Improvement Trust or the Housing Board may be concerned with acquisition, development and disposal of land and the construction of dwellings for residential purposes. For carrying out these functions all the agencies have already a certain established budgetary and financing pattern. Some of these functions are financed out of the general budget but a majority of them are carried out as Five Year Plan projects or schemes. For a number of projects and services the Central and the State Governments are already distributing certain types of grants and loans. Thus for example, for the water supply and sewerage schemes there is the Health Ministry's National Water Supply and Sanitation Programme. For slum clearance the Ministry of Works, Housing and Supply provides certain loans and grants to the State Governments and local authorities. For national highways the State Government get some subsidy from the Centre. Similarly expansion of medical and educational services are being financed as parts of the State Five Year Plans. What we are driving at by citing

all these examples is to emphasise the point that once coordination is established between all these action or operating agencies and the content, phasing and timing of the programmes have been agreed upon by them, the question of financial resources as well as of administration and implementation of the programmes becomes something very practicable. Besides the revenue that is available through coordination of plan and budget outlays, revenue can be raised for plan-implementation from land acquisition, development charge, conversion fees and cesses etc.

We must not, however, be construed to give an impression that with all this achieved there will be nothing to worry about the financial resources. In fact, even with all this coordination of the programmes and plan-outlays there will still be a great need for the city municipality, which will have to share the major burden of implementing the city development programme, to raise additional resources, especially to meet the recurring maintenance and operating expenditures which cannot be subsidised. Mobilisation of additional resources also becomes necessary to finance those items which may be urgently needed by the local urban community but which, because of not falling in State or National Plan priorities, may not be entitled to any assistance from the higher governments. The local municipality will, therefore, have to make a serious effort to raise resources. How the local bodies should do this constitutes a full subject in itself.

It may, however, be mentioned that they do so by improving their property-tax base, and by rationalising the rates of service taxes and charges. Most of the municipal services at present are either showing losses or are just able to break even. In a developing economy this policy has to change and the service taxes and charges need to be revised. An impediment does not make profit but follow a no-profit and no-loss policy. This argument does not hold water in an economic situation like ours. In the interest of rapid economic development we have to see that more resources are created and ploughed back. Furthermore, the making of profit by a public authority cannot be equated with a private individual or firm making profit. Profits of public authority are applied for general community welfare. The municipalities should also try to raise revenues by undertaking activities like construction of markets, shopping areas, parking places, cinema halls, houses for rental purposes and similar activities. Municipal financial administration must be toned up so that the arrears of revenues do not pile up and wasteful expenditures are avoided. And finally, the programmes that the city municipality wishes to include in the city development programme must be such that they will generate revenue surpluses after the programme have been implemented. These programmes may consist of schemes which have short gestation period and yield revenue quickly. Such schemes will save a lot of money on interest payment.

All this means that built-in revenue potential should be introduced in municipal programmes executed as a part of city development plans.

A big problem in plan implementation is one of administrative coordination. The number of agencies which in fact implement plans is much more than those which prepare and sanction them. Even within a given organisational unit there may be a multiplicity of implementing agencies. For example, within the Delhi Municipal Corporation there are three public undertakings, namely, Delhi Electric Supply Undertaking, Delhi Transport Undertaking and Delhi Water Supply and Sewage Disposal Undertaking. The question of coordination and of organisational relationships, therefore, becomes much more crucial, for inter-agency and intra-agency coordination assumes special significances at this stage also because implementation is the end of the cycle and mistakes committed at this stage are bound to be costly as they cannot be corrected.

The procedural requirements for effective plan implementation are, as the Delhi Master Plan rightly observes, more extensive and exacting than the ones required for plan preparation and sanction. This is so because the coordination here has to be in relation to timing, phasing, material and financial resources, staffing and other organisational and administrative requirements. Besides the need for an organisation which can oversee the entire development functions,

this overall coordinating agency, if it has to be effective, must be vested with certain powers to ensure coordination in the formulation of programmes and also in their execution and implementation. Such an overall coordinating agency should also have the powers of evaluating the progress of plan-implementation. At present such an overall coordinating agency does not seem to be functioning anywhere. To a certain extent the deficiency may be met once the city development programmes become an organic part of the State Five Year Plans. In that event the overall coordinating function may perhaps be performed by the concerned State Governments. In this context we may suggest that there should be in every State a State Planning Board to advise the government on problems of urban development, plan-coordination and, where necessary, for some aspects of plan-implementation also. Nothing short of this may meet the requirements of sound planning and development.

Before we conclude we must briefly touch upon another aspect of the planning process. As mentioned earlier, planning is a continuum, a ceaseless process of preparing, sanctioning and implementing plans. The plans prepared at any time try to envisage the developments over the future. The planning proposals are based on a large number of assumptions as regards the growth of population, rate of migration, nature of economic base, growth of economy and growth of revenue resources etc. As plans are implemented phase by phase certain programmes get materialised whereas in certain others there may be short-falls.

Quite often some bottlenecks like the availability of building materials, delays due to litigation, failure on the part of city councils to budget adequate expenditure for plan programmes may arise. The National or State Government policies and priorities may change. Science and technology may create as many problems as it solves. All these developments cannot be reasonably anticipated at the time of plan-formulation. It, therefore, becomes necessary to review the city development plan periodically and revise it in the light of the changed context. The review and revision of the city development plans may be undertaken after a period of five, seven, or at the most, ten years. The town planning acts provide for a certain procedure to affect the required revisions. At this point it is necessary to mention that while on the one hand there should be no rigidity about making minor changes in a plan, at the same time it is also necessary to see that for major modification or revision the procedure prescribed is not such that a plan can be revised easily to meet the whims and caprices of vested interests or pressure groups. The revised plan once again goes round the same cycle of plan preparation, sanctioning and implementation which we have discussed extensively.

more..

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LAND SPECULATION IN URBAN DELHI

by

Ashish Bose

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Buildings Organisation Auditorium on
July 8 and 9, 1968)

LAND SPECULATION IN URBAN DELHI

by

Ashish Bose, Ph.D.

Nature of Our Study

At the instance of the National Buildings Organisation, Ministry of Works, Housing and Supply we took up "A Study of Speculative Prices of Urban Land in Delhi." Before we could arrive at the speculative element in land prices, we have necessarily to study the working of the urban land market in Delhi. For obvious reasons, most people are very reluctant to part with data on land transactions. The official records are unreliable on account of the widespread practice of under reporting land prices to dodge taxes. Besides, many of these transactions are carried on in black money and consequently in utmost secrecy. Our investigation into land prices, therefore, proved to be a formidable task calling for very unorthodox methods of data collection. At times it looked as if it would be impossible to collect any data by routine methods of investigation. We often posed as a prospective buyer of land to get a first-hand knowledge of the land market. There were many things which we could not verify: for example, allegations of widespread municipal corruption made by several responsible persons.

Due to the multiplicity of municipal and other organisations and departments associated with land acquisition, land development, land sales, levy of taxes, etc., we found that what appeared to be a simple task involving copying of data from records was in fact a most difficult task. The practice of needless secrecy in many of the Government departments engaged in land transactions was another hurdle. We were fortunate, however, ultimately in getting access to most Government records.

We must also mention here that the simplest things turned out to be most difficult. For example, in spite of our best efforts we could not get an upto-date map of urban Delhi showing all the colonies-authorized as well as unauthorized. Most of the available maps are hopelessly out of date. We had to take recourse to personal visits to the sprawling colonies in all directions of Delhi. Or take for example, data on the number of houses built every year - authorized as well as unauthorized. Again no data were available on this and even in regard to approved constructions, the data were not consolidated at one place and one had to visit several zonal offices to get the data. We have already mentioned the limitations of data on sale of land. The prevalence of two sets of prices - one in white money and the other in black money - raise several methodological issues in calculations of net returns on investment in land. The same

is true of the true cost of house construction and the calculations on returns on housing.

In view of all these difficulties of data collection on a reliable basis, our study is at best only an exploratory study. We are more than convinced that under the prevailing circumstances, any diagnostic study of land prices calls for tremendous effort, ingenuity, skill and expertise and perhaps this explains why there is hardly any technical study on urban land prices in Indian cities. In the absence of such studies we have emotional rhetoric, philosophical condemnation of speculation as an anti-social activity without going into the economics of the land market, all manner of suggestions for 'mopping up unearned increments' without an understanding of the modus operandi of the speculators, profiteers and tax-dodgers. Recommending new taxes is less difficult than plugging legal and fiscal loop-holes. Who can deny that the speculator is smarter than the tax collector ?

The study of land prices is indeed a difficult area of research and it is only in recent years that technical studies on the subject have been undertaken even in the developed countries. In India, there is hardly any rigorous study of land prices. However, the Town and Country Planning Organisation is making serious attempts to study land prices and policies. But we cannot help observing that the general thinking is reflected in the writings of scholars and layment alike, in the utterances of politicians and administrators, in the enuncia-

tion of land policy in the Five Year Plans and the deliberations of various Committees and Commissions is that speculation is the most important cause of rise in land prices. But there is not enough evidence produced to substantiate this viewpoint.

During our investigations, we came across diametrically opposite views on the causes of the steep rise in land prices in Delhi. The official viewpoint was that speculators and profiteers were responsible for the steep rise in land prices which was completely out of proportion to the rise in the general price level. On the other hand, the colonisers' view point was that since the land freeze in 1959 brought about by the Delhi Development Authority through its 'large scale acquisition, development and disposal of land scheme', the Government has been the biggest profiteer and the policy of land auctions of fabulous prices has resulted in the high prices of land in Delhi. In fact, the colonisers maintain that no private company could ever make the huge profits on sale of land which the Delhi Development Authority has made.

This controversy immediately plunged us into an assessment of the Government's land policy, especially since 1959. Thus the linking of land prices with land policy became inevitable. Another aspect which was brought out very prominently during our investigation was the emergence of a phenomenon which is far more sinister than land speculation -

the mushroom growth of unapproved colonies and the wasteful urban sprawl all around Delhi. This sprawl and the greatly enhanced cost of urban infra-structure has a direct bearing on the development cost of land and ultimately on the price of land.

Thus, our original terms of reference, namely, study of speculative prices were found inadequate from the methodological point of view and we had necessarily to work on a wider canvas. An examination of the Government's land policy in its historical perspective became absolutely essential and so also an investigation into the disturbing phenomenon of the proliferation of unauthorised colonies.

What is land speculation

It is difficult to arrive at a precise definition of land speculation. In a Bombay case (Dhusabhai Padabhai VS. Sp. Land Acquisition Officer, Ahmedbad, 1959), the judge observed: "If a person desires to acquire land or settle down in a place which is full of promise for development, the desire could not be condemned as a mere speculative desire. There could be nothing unreal or undesirable about it. If the knowledge that acquisition by the Government is imminent raises the tone of the market and gives impetus to the market, a new market rate would be created and the transaction would be governed by that rate. It would be too dangerous a preposition to lay down and too unfair a comment on human impulses to generalise and stigmatise every transaction of sale entered into after the market

had risen as a speculative transaction or demonstration of a profiteering tendency of a human mind."¹

In other words, a mere rise in the price of land should not be equated with speculation. The motive behind the land transaction is an important element in determining whether or not a particular transaction is speculative.

In a study of land speculation in the U.S.A., Allen Bogue and Margaret Bogue define a speculator as follows:-

"...the word is used as it was in the newspapers of the Middle West during the mid and late nineteenth century, where generally it denoted an individual who purchased large acreages of unimproved land, intending to sell after land values had risen sufficiently to make their sale remunerative and who was not interested in working the land as a personal enterprise or in building up a long-term tenant estate. Motivation becomes crucial, therefore, in identifying the speculator. But the student cannot always discover this. He is reduced to classifying as speculators those land-holders whose motives he can discover to have been speculative and those who in all or in part of their land operations behaved in the same way as the members of the first group."²

1. V.G. Ramchandran, The Law of Land Acquisition and Compensation, Third Edition, Lucknow, 1965, p. 495
2. Allan G. Bogue and Margaret Bettie Bogue, "Profits", and the Frontier Land Speculator, The Journal of Economic History, Vol. XVII, No. 1, 1957, p.1

In this study Bogues consider the speculator as "a type of investor."

Apart from motivation, in order to classify a land transaction as speculation, it is necessary to consider the area of land involved. In recent statistical study of land speculator profits in the U.S.A., Robert P. Swierenga defines speculators as "individuals who entered one thousand acres or more of Congress land."³

Mr. K.A. Ramasubramaniam, former Director of the Town and Country Planning Organisation of the Government of India in his study of urban land prices points out:

"For the phenomenal increase in the price of land in and around the urban areas the most important reason is speculation."⁴ But curiously enough, in the very next sentence he maintains: "The scarcity of land in relation to the demand, especially, in the face of rapid urbanisation has created a sellers' market in land."⁵

Now these are two sets of factors and it is not clear from Mr. Ramasubramaniam's study why speculation and not the shortage of land is the most important reason for high land prices

3. Robert P. Swierenga, 'Land Speculator "Profits" Reconsidered: Central Iowa as a Test Case', the Journal of Economic History, Vol. XXVI, No. 1, March, 1966, pp. 1-28.

4. K.A. Ramasubramaniam, "Steep rise in the Values of Urban land", Yojana January 26, 1966

5. Ibid.

A similar view-point is expressed by Mr. J.P. Sah, of the Town and Country Planning Organisation in a recent paper:

"The sky-rocketing of urban land values unrelated to any perceivable economic factors is largely explained by speculation in land."⁶

Yet in the very next sentence Mr. Sah mentions a perfectly valid economic factor to explain the high land prices. He says:

"In the absence of adequate investment opportunities in the productive sectors, finance capital-earned and unearned, finds real estate a lucrative business."⁷

If investment in land offers higher returns than most other forms of investment, a legitimate field of enquiry would be why this is so. Where is the element of speculation if an investor knows for certain that returns on investment in land are high? Far from risk-taking he would consider such investment as the most secure form of investment.

Mechanics of Land Development & Land Prices: Two Case Studies

Historically speaking, there are three distinct periods from the point of view of land development and house construction in Delhi, namely,

6. J.P. Sah, "Land policies for urban and regional development in the countries of the ECAFE region", paper for ECAFE Seminar, Nagoya, Japan, October 1966, p. 12

7. J.P. Sah, ibid

- (1) 1947-1955 which was marked by massive Governmental programmes for refugee rehabilitation;
- (2) 1955-1959, a period of boom for private land development companies and house construction; and
- (3) 1959-1967, characterised by the land freeze in 1959, a steep rise in land prices, and the emergence of a large number of unauthorised colonies.

We shall not go into the details of refugee rehabilitation colonies. The development of these colonies was not strictly dictated by economic considerations but by humanitarian considerations. By and large, the Government did succeed in meeting the tremendous challenge of providing shelter to lakhs of uprooted people consequent upon the Partition of India in 1947.

Turning to the second period, we find that the private colonisers also did succeed by and large in meeting a part of the growing demand for housing in Delhi. The price at which these companies sold land was by no means exorbitant; it ranged from Rs. 10 to Rs. 20 per sq. yards, and even this money was collected in instalments. The major weakness of these colonising companies was their deficiency and inadequate arrangements in regard to the urban infra-structure like filtered water supply, sewerage, electricity, etc. In several areas, there was a period of transition when the coloniser disappeared from the picture and the municipal corporation had yet to appear on the scene thus resulting in great hardships to the residents of these new colonies.

The third period, however, has very few success stories. The land prices have risen very steeply during this period and the overall picture is one of dis-organisation and anarchy in regard to land development. The establishment private colonisers virtually went out of business from 1959 when the large-scale acquisition, development and disposal of land scheme was introduced. They were, however, replaced by a new set of colonisers specialising in illegal sales of land notified under Section 4 of the Land Acquisition Act.

In order to appreciate more fully the mechanics of urban land development and land prices in Delhi, we shall present a case study of a successful colonising company which operated mostly in the period 1955-1959 and then a case study of a colonising company in the most recent period i.e. after the large-scale acquisition of land scheme was introduced in 1959.

Case Study of X Company

This company was established by a group of persons whose common interest in land transactions, previous experience in handling such transactions, their governmental contacts and ready money combined to give them a good start. And this company did succeed in a big way. It made big profits both through purchase of raw land and sale after development and also through capital appreciation of their reserved

plots. But there is no basis of doubt that the company was started as an honest business proposition to take advantage of the sudden increase in demand for land and housing after the Partition of India. And X company did make a positive contribution in relieving the housing shortage in Delhi which became acute after the War and Partition of India. The X company developed several residential colonies. We shall discuss here only one colony - Y colony. The sitting of this colony depended on the availability of undeveloped land on the outskirts of the city, in an area where agricultural conditions were not favourable. The land was under cultivation and was sold to the company by the land owners direct and also through agents. The usual practice was to give a 2 per cent commission on such transactions. So the real estate agents became active and they took the initiative in informing the company about the availability of raw land. The company bought land mostly through one or two brokers but problems cropped up when the owners of small pieces of land lying between different plots of land bought by the company refused to part with their land. The company finally managed to get these parcels of land by offering a higher price than was paid for the rest of the land. There were occasions which resulted in litigation but the company invariably entered into a compromise by paying a higher price to the landowner. In this process several landowners got a fairly high price for their agricultural land.

The main source of finance for the acquisition of land was the company's own capital. Sometimes it borrowed money from the public at the market rate of interest.

The development of land was carried on through contractors under the supervision of the company's engineers. The entire colony was developed at the same time because it was found more economical to do so than develop the colony by stages. In other words, stages of development were operation-wise and not area-wise.

Though the whole colony was developed at the same time, all the plots were not offered for sale at the same time. The company feared that a simultaneous release of all the plots would depress the land market. So the plots were sold in stages.

The cost of development of the raw land was largely met from the price of land paid in instalments by the purchases of land. The company did not seek loan or advance from any source. The usual practice was to charge 35 per cent of the total cost of land in the first instalment. Further amounts were collected in subsequent instalments as and when the development work was completed.

The price policy adopted by the company was to ensure the maximisation of profit. As a spokesman of the company put it: "We are not a charitable concern. We want to maximise our profit within the limitations of the present

tax structure." According to him, the company fixed the sale price of land allowing for a net profit of $12\frac{1}{2}$ per cent to 15 per cent. The company took care to make a generous provision for contingencies.

Interestingly enough, plots were sold as soon as the land was acquired from the Zamindars and often, even before such lands were legally transferred to the company. A blue-print for the colony was prepared and municipal sanction obtained and the plots were sold regardless of the stage of development of the colony. A commission of 2 per cent was offered to all brokers who got customers for the company. Even the regular employees of the company were entitled to this commission when they succeeded in getting some customers.

All these transactions were strictly cash transactions. According to the rules of the company, a purchaser of any plot could transfer it twice before the actual legal registration. Thus a plot could be sold three times before it was finally registered. The price of land went up every time it was sold but the profits were immediately and automatically converted into black money and in fact most of these transactions were conducted only through black money. In the records of the company, resales were just transfers, the declared price of land remaining the same. Thus even before the birth of the colony big money was made by people through the complete evasion of all taxes on the profits on the sale of land.

It is interesting to note that the company did not claim any share in the profits made by its customers on account of resale of land upto 3 times before actual registration. The company seemed to be satisfied with its own profit and permitted customers to make windfall profits as a sort of inducement to them to buy land. It is also worth noting here that when the company sold the land, land prices in Delhi were not high and the company, for that matter nobody, could foresee the tremendous rise in land prices from 1959 onwards - an increase of 800 to 1000 per cent in eight or nine years. Looking back, one would think that the company lost a tremendous opportunity of making speculative profits. However, our investigation has revealed that X company did adopt a policy of cautious and mild speculation by cornering some plots of land which they called reserved plots. But before we discuss this aspect, we shall estimate the normal profits of this company.

Normal Profit on Land Development

The X company developed several residential colonies and the overhead costs are put under one head, namely, establishment costs and it is not possible to get separate data for each colony. However, according to the company's version the development costs of a typical colony (developed around 1956) are as follows:

	<u>Cost per sq. yard</u>
Land acquisition	Rs. 4.00
Development costs	Rs. 8.00
Administrative & other expenses	Rs. 3.00
Total	Rs. 15.00
Sale price	Rs. 20.00
Profit	Rs. 5.00
Rate of profit (roughly)	33.3 per cent

However, our own assessment of the cost structure is as follows:

Land acquisition	Rs. 2.00
Development cost	Rs. 7.00
Administrative expenses	Rs. 1.00
Total	Rs. 10.00
Sale price	Rs. 20.00
Profit	Rs. 10.00
Rate of profit (roughly)	100 per cent

Speculation Profits on Land

Our investigation into the modus operandi of the cautious policy of speculation adopted by this company revealed the following:

A number of plots were reserved by the company from the very beginning and they were not sold. The company would, of course, deny any speculative motive. They insist that the plots were reserved in the interest of their customers. The argument runs as follows:

The sale of plots takes place on the basis of the blue-print and not after actual demarcation on land. Sometimes the area of plots already sold falls short after actual demarcation.

This creates complications later. So normally the company keeps both the corner plots reserved in every row. Sometimes after actual demarcation the area turns out to be larger than on the blue-print. In such cases the surplus land is left with the company. These reserved plots are naturally sold at the market price and not at the original price. The company maintains that such profits are helpful in meeting losses on account of unexpected delay in the development of colonies. For example, it was expected that according to their plan, one of their colonies was to be completed in four years but actually it took six years. The plots were sold on the basis of the earlier expectation. Thus the sale of reserved plots at much higher prices later made good the additional expenditure on account of the delay by two years. All this may be good logic but our finding is that the idea behind 'reserved plots' was cautious speculation. Our estimate of speculation profits for one of the colonies is as follows:

Number of reserved plots kept by the company:	200
Roughly at the rate of 300 sq yards per plot, total area reserved:	60,000 sq. yds.
Cost of development at the rate of Rs. 10/- per sq. yard.	Rs. 6,00,000
Original sale price at the rate of Rs. 20/- per sq. yard.	Rs. 12,00,000
Normal profit	Rs. 6,00,000
Current market price - Rs. 175/- per sq. yd.	Rs. 1,05,00,000
Less original price	Rs. 12,00,000
Gross speculation profit	Rs. 93,00,000

The calculation of the net return per rupee on speculation must take note of (i) the period of waiting and (ii) the loss of interest at compound rate for the money blocked. In the case of this particular colony, the period of waiting was roughly 8 years and the market rate of interest is from 10 to 12 per cent per annum. Even if all these calculations are done, the fact remains that the rate of speculation profit was very high - well over 150 per cent per year.

Thus, an initial investment of rupees six lakhs brought about a normal profit of rupees six lakhs and speculation profit of rupees ninety-three lakhs or a total of rupees ninety nine lakhs or about rupees one crore in the course of eight years or so. The rate of profit thus is fabulous but what is more important is that on account of the well-known methods of tax evasion much of this profit is tax free. The actual price of land declared at the time of registration is very modest figure which has no relevance to the market price.

Declared land prices are only a fraction of the actual land prices and our estimate is that about 70 to 80 per cent of the profits on the sale of land are not declared and, therefore, escape taxes. Thus if out of the speculation profits of Rs. 93 lakhs, 70 lakhs have gone undeclared; this amount should be really taken as profit after deducting tax. In view of the prevailing tax structure, one can calculate what must be the income before taxation which yields an income of Rs. 70 lakhs after taxation. It will be a very high figure and if this

figure is taken into account for calculating the return on speculative investment (i.e. our figure of Rs. 6 lakhs in this case) the rate of return would be fantastic.

We must hasten to add here that too much should not be read from this success story. As pointed out earlier in order that speculation has an impact on land prices, the number of plots and acreage involved must be sizeable. We have no evidence to suggest that this is the case here. We have also come across individual speculators who buy two plots of land at a time, sell one plot when the land prices go up, invest the money to build a house on the remaining plot, sell the land and house with a big profit margin, invest in buying more plots of land and continue this process of multiplying money. But it is doubtful if such investment in land and housing can be called speculation and even if it were so, the total impact on the urban land prices is only marginal, no matter how rewarding such transactions may be for the individual buyers and sellers of land.

The Emergence of Unauthorised Colonies

Ever since the Partition of India and the sudden influx of refugees from Pakistan, squatting on Government lands was on the increase. This is a problem in itself but our object here is to draw attention to the proliferation of unauthorised colonies ever since the land freeze took place in 1959.

Whole colonies have been built without any municipal sanction and in complete disregard of municipal regulations. One can understand unauthorised constructions in big cities which go unnoticed but how can one explain the emergence of whole colonies which are unauthorised? And such colonies are not by the dozen but by hundreds.

Our investigation into the mechanics of unauthorised colonies has brought to our notice a whole range of malpractices: municipal corruption, political nepotism and above all, plain and simple swindling.

The public authorities cannot possibly plead ignorance. Under their very eyes hundreds of these colonies have sprung up over the last six years. And it must not be forgotten that the land freeze in 1959 was sought to be enforced for the orderly implementation of the Delhi Master Plan.

Case Study of an Unauthorised Colony

We shall briefly describe the modus operandi of colonisers selling land in unauthorised colonies. A typical advertisement selling such land runs as follows:

Z. Colony: Buy freehold land at throw-away prices Rs.2/- to Rs. 18/- per square yard. Residential colony within five minutes walk from the main road. Visit the site. Free transport provided.

A typical coloniser of this type buys agricultural land from villagers on the outskirts of the city, does a superficial levelling of the land, puts bricks on all four sides to

demarcate the land, puts chalk lines to demarcate the plots, gets a simple blue-print (very often not on scale) prepared for the colony, hires a tent, a table with a glass-top, half a dozen chairs and puts up a placard indicating the name of the colony. He then pitches his tent puts his table and chairs in front, the blue-print under the glass top of the table and he is ready for business. He also hires a taxi to fetch customers. The sales are brisk, for the prices are fantastically low compared to the prevailing market rates of land in Delhi.

The office clerks, the school teachers, the small traders and the like are all attracted - they dream of building their own house in Delhi and get out of the clutches of the landlord. When they buy the land, they are given receipts, the transaction is even registered and a stamp duty paid and the purchaser returns home greatly satisfied with the world. Perhaps it is his life-times savings which he has invested in the land.

Very soon his troubles begin. He learns that the colony where he has bought land will get no water, sewerage connection or electricity. Because the plan for the colony did not have the prior approval of the Municipal Corporation. Very often he learns that he cannot even build a house on his plot because the area of Z Colony is in fact not a residential area.

Why did he not foresee all these difficulties ? Well, the average buyer of this type of land does not know the implications of the land acquisition act and the Delhi Municipal Act and so on.

But suppose one knew all this, what happens then ? Well, we posed as a potential buyer and visited E colony. The following conversation took place: We: Is your land not covered by the Land Acquisition Order 1959 ? Coloniser: Yes, but all land in Delhi is covered by this order. You see, only Section 4 of Land Acquisition Act has been applied and this is the opportunity to buy land in Delhi. Once Section 6 is applied it will be difficult. (It may be noted that Section 4 of the Land Acquisition Act of 1894 is to the intention of the public authorities to acquire land while Section 6 refers to the actual acquisition of land after paying compensation).

We: Do you have water supply in your colony?

Coloniser: It will come eventually. Meanwhile you can put hand pumps.

We: What about electricity?

Coloniser: The nearest electric post is just half a mile away. It is bound to come to our colony.

We: What about drainage?

Coloniser: There is so much of open land all around. Drainage is no problem.

We: Have you got the plan of the colony approved by the Municipal Corporation?

Coloniser: Not yet, But we will get the approval. Mr. X who as you know is an influential man has bought land in our colony and he will see to it that the plans are passed.

We: Can I build a house straight-away if I buy the land?

Coloniser: Of course. And you should hurry up. Once a large number of houses are built, this colony will be regularised.

We: But don't you think all this is illegal?

Coloniser: But what can we do? Land is selling at Rs. 200/- a square yard in Delhi. We are offering you land for only Rs. 10/- per square yard.

Interestingly enough, the Municipal Corporation charges house tax on unauthorised houses also and the owners of unauthorised houses are more than eager to pay the house tax and produce the receipt as evidence of their bonafides. And such is the provision of law that during registration or transfers of land, there is absolutely no attempt made to verify if the land transaction has taken place in an authorised colony or in an unauthorised colony. To the innocent what greater proof can there be of his title to the land than a valid registration of the land transfer in a court of law?

During our investigations we also came across downright fraudulent practices. For example, there were several cases when the same plot of land was sold to 5 or 6 persons and also duly registered under false plot numbers, etc. Often the customers

were shown agricultural land with crops standing which did not even belong to the coloniser with the result that when the purchaser of land with a valid registration receipt went to claim his plot of land, he was driven out by the landowner. On the production of the receipt, the customer was asked to go to the Court and complain. Usually, such land transactions are brisk and the colonisers completely disappear after selling the land.

We shall now estimate the profits of such colonisers.

Z Company

Cost of acquiring 3 acres of agricultural land @ Rs. 5,000 per acre	Rs. 15,000/-
Cost of levelling	1,500/-
Hire of tent, table, chairs, etc.	100/-
Free Transport	700/-
Miscellaneous	700/-
	<hr/>
	Rs. 18,000/-

Total area roughly 15,000 sq. yards

Usable area (80 per cent). = 12,000 sq. yards.

(This of course is not according to municipal regulations)

Cost per sq. yard	Rs. 1.50
Average sale price per sq. yd.	Rs. 10.00
Profit	Rs. 8.50
Total profit	Rs. 1,02,000
Rate of profit	567 per cent

In fairness to the Municipal Corporation we must say that the Corporation did warn the public against such unscrupulous colonisers through beating of drums, public notices, cinema slides and newspaper advertisements. But all this had very little impact on the sale of land in unauthorised colonies.

For the colonisers the profits are fabulous. For the buyer also the rates are fantastically cheap. And after all, people have to live somewhere. Population is increasing fast, migrants are growing in number. The D.D.A. has frozen the land and whatever land they developed took years and years and even then much of it was auctioned at very high prices and the plots which were allotted by draw of lots could not possibly meet the growing demand for housing. In desperation, the poor and middle-class people of Delhi bought land in unauthorised colonies and built unauthorised structures by the thousands.

It must be noted, however, that a large number of persons bought land in unauthorised colonies in spite of their knowledge that their land might be acquired by the Government under Section 6 of the Land Acquisition Act and in that event the compensation paid would be Rs. 2 to 3 per sq. yard and on the face of it, therefore, it was not worthwhile paying Rs. 10 or 12 per sq. yard for such land. Here the motive was speculation. They just took the risk - if somehow land acquisition under Section 4 could be vacated, land prices would shoot up manifold and in that case there would be a windfall profit. If, however, section 6 of the Act was enforced it would mean a net loss. A large number of people took this gambling chance and compounded one illegal activity with another - constructing houses without municipal sanction. Thus the strategy was one of fait accompli.

During our investigation we found that unauthorised house construction was at its peak of second Saturdays and Sundays when people took advantage of 2 days' holidays to built their own 'houses'.

Then came the politicians. A voter is a voter whether he resides in an unauthorised colony or in an authorised colony. And every vote was important. So the local politicians entered the field. They argued on a high moral tone: "In a welfare state, people must get water, electricity, transport...How can you deny these to the people just because they are too poor and they built unauthorised house?" As the elections came near, promises were made to the "unfortunate brothers" in the unauthorised colonies. What was the way out: "Regularise" the unauthorised colonies. And so it was in 1961 that the Delhi Municipal Corporation regularised 103 unauthorised colonies. More are on the waiting list for such 'regularisation'.

The Economics of Price Rise

Our basic difficulty in subscribing to 'the speculation theory' of land prices is as follows: speculation, by definition, implies risk-taking and the chances of incurring loss are as great as the chances of making a profit. In India, today, it is not gold but land which offers the greatest security and there is no question of incurring loss at all. If the value of land does not appreciate it will at least remain the same. Our study of Delhi shows that there is, by and large, no

speculative element in investment in land except in spurious land transactions in unauthorised colonies involving land notified under Section 4 of the Land Acquisition Act. The land prices have gone up because of the inter-play of the demand and supply factors. The galloping increases in the demand for land and the dwindling supply of land ever since the acquisition notification in 1959, largely explains the steep rise in land prices.

On the demand side, the following factors may be listed:

There was a large pent up demand for urban land on account of the growing housing shortage during the Second World War.

(2) The partition of India and the large influx of refugees from Pakistan brought about an abnormally high demand for land for refugee rehabilitation colonies. Not all the refugees could be settled in these colonies. Hence there was a demand for land in non-refugee colonies also.

(3) New Delhi as the capital of free India became overnight the Centre of vastly enhanced governmental activity and there was a tremendous increase in demand for office as well as residential accommodation in the Government Sector. For many government departments, far from their moving out of Delhi, their continued location in New Delhi became a prestige point.

(4) Another impact of independence on New Delhi was the sudden arrival of a large number of diplomats and their

supporting staff, finally resulting in the emergence of Diplomatic Enclave well-known for the high land prices. But the Diplomatic Enclave does not house all the embassies and embassy officials: This increased the demand for upper-class colonies and luxury housing in New Delhi.

(5) A related phenomenon was the import of a large number of foreign experts in Delhi, Aid missions, military missions, cultural departments and so on resulting in a further increase in demand for office accommodation and upper class residential areas.

(6) Where was a phenomenal increase in research activity in the erstwhile dry and soulless city of Delhi resulting in a mushroom growth of new institutes with all the paraphernalia of Directors' bungalows, hostels, guest houses, etc.

(7) With increasing foreign collaboration with Indian companies and in view of the fact that the concerned ministries are all located in Delhi, it became customary for these as well as wholly Indian companies to locate their liaison offices, guest houses, etc. in Delhi thus making further demands on upper class housing.

(8) Turning to commercial and industrial land we find that since Independence there has been a phenomenal rise in commercial and industrial activity in Delhi. Along with this the demand for residential land has also increased.

(9) Among comparatively minor reasons we may mention the increasing tendency of persons working in Delhi to settle down in Delhi after retirement. Further, in recent years, several persons of Indian origin from Burma, Ceylon and East Africa have bought land and property in Delhi as they do not feel secure any more in the country of their adoption.

(10) Finally, we must mention that the growing magnitude of black money and the emergence of a new rich class has greatly contributed to the demand for luxury housing and development of posh localities. Perhaps the best way to dispose of black money is to buy land. It is very rarely that the actual price of land is entered while registering land transactions after payment of stamp duty. During our investigation, we were told by property dealers that a few years back when police raided the houses and lockers of some Bombay industrialists and film stars in search of black money, the land prices shot up in Delhi because there was a desperate attempt to salvage the black money from Bombay and invest it in Delhi.

Let us look to the supply side now. Here we must take a historical perspective:

(1) Soon after partition, the Government acquired large areas of raw land on the outskirts of Delhi - sometimes quite far from the city - to develop rehabilitation colonies. The Government also started using up its own stock of land for various governmental activities.

(2) Then came the colonising companies which acquired large areas of agricultural land and developed them for residential uses. The cost of acquisition was low - it ranged from 4 annas per sq. yard to Rs. $1\frac{1}{2}$ per sq. yard. The cost of development was also low and the price of land was between Rs. 10 and Rs. 20 per sq. yard. It was even lower in some colonies.

(3) Then came the land freeze of 1959 and overnight the supply of land became fixed except for land developed and disposed of by D.D.A. As we have already observed, the price of such auctioned land was exorbitant while that of allotted land to middle and low income group people was around Rs. 30 per square yard.

(4) There was, however, a spurious supply of land in unauthorised colonies and the prices ranged from Rs. 2 to Rs. 20 per sq. yard.

(5) Even after the land freeze of 1959 there was some stock of developed but unbuilt land in the new colonies as also vacant plots in the newly developed colonies which could be legally bought and sold. The price of such land increased in the course of six to eight years by 8 to 10 times and in some areas it was as high as Rs. 400 per sq. yard. There are some underdeveloped areas where the price ranges from Rs. 150 to Rs. 250 per sq. yard.

Thus from the point of view of supply of residential land, it is a very dis-organised land market that we come across. There are several distinct layers:

(1) The D.D.A. auction land for which the sky is the limit as far as prices are concerned.

(2) The resale price of land sold before 1959 but not yet fully developed and, therefore, unbuilt which is lower than D.D.A. auction prices in comparable localities but, certainly very high by pre-1950^{level} of prices for these very same colonies.

(3) A much lower price for land allotted by D.D.A. on a no-profit-no-loss basis though we have our doubts about the interpretation of the formula for fixing such prices.

(4) The lowest land prices are, of course, in the unauthorised colonies.

For the second category of land we have just listed there are again two sets of prices - one in white money and the other in black money.

There is also the distinction between freehold land and leasehold land. The ground rent is 2½ per cent per annum on leasehold land and, therefore, the price of these two types of land at their face value are not strictly comparable.

We have also the phenomenon of sympathetic rise in land prices. For example, it has been reported that when D.D.A. auctioned land at high prices in some locality, the land prices for freehold plots in adjoining localities shot up.

It has not been possible for us to collect reliable data on the increase in land prices in different localities from year to year. The registration records are most unreliable. We did collect some data through brokers and a few knowledgeable persons. We give below the trend of freehold land prices in a middle class residential locality of Delhi from 1949 onwards:

Price per sq. yards (Rs.)

1949	3-4
1952	8-10
1954	15-17
1955	8-10
1956	18-20
1957	20-22
1958	22-24
1959	30-35
1965	50-65
1966	90-100
1967	110-125

It may be noted that in 1955 this locality was threatened by flood and prices came down suddenly.

In more affluent colonies the price ranged from Rs. 10 to Rs. 20 per sq. yard when the land was first sold between 1955 and 1959 but the current price in these localities ranges from Rs. 150 to Rs. 250 per sq. yard.

For this rise in prices the D.D.A.'s land freeze policy is generally held responsible. As we have already seen there is much force in this allegation for the simple reason that the disposal of land was not on a scale which could meet even

a fair proportion of the growing demand for residential land.

Before we close the discussion on land prices, we shall refer to the findings of a recent study on land prices in the U.K. which are somewhat similar to ours. This study concludes:

"....land prices in the 1950's and early 1960's more than kept pace with growth of the rest of the economy. This suggests that the property market for all types and uses of land in Britain works, and that the economic factors of supply and demand continue to rule. The operation of the market has been distorted by a volume of legislation concerned with a wide variety of matters affecting the use of landSome of these Acts, such as the Town and Country Planning Act nationalising land development values, and the Act imposing building licencing, tended to put a brake on development until they were rescinded in the early 1950's. Undoubtedly one of the factors in the rapid increase in land values was the fact that there had been little development in the preceeding twenty years with a resultant pent-up demand, another the general increase in prosperity. It is important to realise, however, that certainly so far as residential land was concerned...the Town and Country Planning Acts with their provisions for development plans and development control were an

inflationary factor because they limited the amount of land available in the market."*

The D.D.A. can, perhaps, seek solace from Britain's experience:

Recommendations:

Before we come to our recommendations in regard to control of high land prices, we wish to emphasise the need for a complete reorientation in the Government's land policy in favour of a land and housing policy. We shall explain this point briefly. The present trend of thinking as reflected in the nunciation of land policy in the First, Second, Third and Fourth Five Year Plans as well as in the reports and recommendations of several committees appointed to consider urban land policy and allied problems is in terms of blaming speculation for high land prices on a priori grounds and not based on any study of the land market. And the standard solution offered to control land prices is in terms of a string of new taxes and levies. Here there are two distinct problems- the problems of bringing down land prices is conceptually and operationally different from the problem of raising finances through fiscal measures, or for that matter, the problem of mopping up unearned increments in land transactions. We must face the fact that land prices cannot be brought down by levying more taxes on land. We must make it clear at once that we are not opposed to more taxes on land; in fact, our investi-

* E.F. Mills, 'Land Values in the United Kingdom Since 1946', International Social Science Journal, Vol. XVIII, No. 4, 1966, p. 525.

gation reveals that because of extensive tax evasion, much of the profits on land transactions are in reality tax-free profits and the true rate of profit is fabulous. This, however, has nothing to do with speculation. It is more a function of the operation of black money in the land market in a big way.

Our basic objection to the present land policy is that this policy tends to regard developed residential land as an end in itself and housing is relegated to the background. The D.D.A.'s housing programme is an apology for a realistic housing programme for meeting Delhi's requirements. Of course, our argument will be immediately countered by saying that the D.D.A. primarily undertakes to develop land and not build houses. It is precisely this policy which we are seeking to oppose. As our investigation has revealed, it is highly profitable to invest in land but not in housing, especially middle class housing let alone housing for low income group persons. The result has been the growth of luxury housing in Delhi at the cost of middle class and low income group housing because the scarce resources like cement have gone in upper-class housing apart from the fact that the requirements of upper class housing raise the over-all price of building construction. The D.D.A. has, by its policy of auctioning land at high prices, facilitated the construction of luxury housing in Delhi. The justification for charging high prices was that the D.D.A. had to earn profit on the sale of plots to rich

people in order to invest money in building houses for the low income group people. But what is the record of low cost housing? Mr. Mehr Chand Khanna, the former Union Housing Minister, informed the Rajya Sabha on 27th July, 1966 that in the Safdarganj area, 175 applications had been received for 80 residential flats while only 44 applications had been received for 100 flats in Najafgarh. The record in Nauroji Nagar was no better.

The question, therefore, arises, is it practicable to have an urban land policy for developing and disposing of land with a grudging attention to low cost housing and another housing policy which is independent of an urban land policy? If our ultimate objective is housing, the cost of land and the cost of building as well as the returns on land and the returns on housing must be considered together and not piece-meal as is done today. We have, therefore, grave doubts if the D.D.A. will ever succeed in solving the housing problem of Delhi even if it succeeds in developing and disposing of land on a large-scale which it is unable to do at present.

We have, therefore, serious misgivings about the working of the large scale acquisition, development and disposal scheme of the D.D.A. launched in 1959. Some mechanism must be evolved whereby the D.D.A. can ensure large-scale development of housing also. In the light of these observations we submit the following recommendations for the consideration of our planners, policy makers and administrators. In making these recommendations we

shall have in mind the paramount objectives of the welfare of the common man in Delhi:

- (1) The D.D.A. should modify its large-scale Acquisition, Development and Disposal Scheme and introduce immediately a Large Scale Acquisition, supply of land and houses on a massive scale to meet the present desperate situation,
- (2) The D.D.A. should take a lesson from the financial working of private colonising companies before 1959, and sell land to people even before actual development and collect money in instalments. It is possible, as the experience of the private colonisers has shown, to evolve a self-financing scheme and enter into the land business without a large initial capital
- (3) The D.D.A. should abandon its policy of developing land for sale through auction to the rich people. The D.D.A. should develop land only for the middle class and lower income group people and leave the rich alone. The present policy of charging $2\frac{1}{2}$ per cent ground rent on lease hold land should be reconsidered in favour of a policy of levying a nominal ground rent.
- (4) The D.D.A. should revise its price policy for allotted land and adopt a strict no-profit-no-loss formula. If this is done the price of land cannot exceed Rs. 25 per sq. yard.
- (5) The D.D.A. should evolve a realistic housing policy aiming at block housing and vertical expansion and discontinue, except in special cases, sale of individual plots.

It is not necessary to think in terms of cooperative housing alone. In fact, the sentimental attachment to cooperative housing has no basis. The D.D.A. should encourage the formation of land and housing companies run strictly on commercial principles with a view to making profit. In fact, the D.D.A. should take a bold step and give land to such companies on a no-profit-no-loss basis provided these companies build block housing and sell these houses at controlled rates to middle class and low income group people and the houses are built in accordance with D.D.A. specifications. In other words, people should buy residential accommodation and not plots. This will go a long way in meeting the dilemma of high returns of land and low returns on housing. If the private companies are given raw land at low rates (on the basis of the cost of acquisition plus a surcharge) they would certainly come forward, develop the land and build houses and make a fairly high profit. Of course, if there is no condition put that they would have to build block houses for middle income group people, these companies will build only luxury houses. They would also try to evade the whole business of house building and dream of going back to their old business of buying land at cheap rates and selling it after development (even the modest rates of sale price of land brought handsome returns.) Our scheme is totally different. It will mean the joint endeavour of the public authorities and the private companies. The D.D.A. finds it

difficult to acquire, develop and dispose of land on a really large scale due to limitations of finance and administrative procedure. According to our scheme, the D.D.A. will acquire land and supervise the development of such land and the house construction on such land by private land and housing companies which will have to sell these houses at controlled rates. The private companies will be attracted for the simple reason that if there were a land de-freeze today and they had to acquire raw land, the cost of acquisition will not be four annas as in the good old days but at least Rs. 20/- per sq. yard. They should, therefore, welcome the handing over to them of D.D.A. acquired land on condition that they build houses. Our estimate is that the proposed land and housing companies will make a profit of 30 to 40 per cent. The people of Delhi will also get the much needed relief land is sold at the rate of Rs. 25 per sq. yard and 2 room flats are sold for Rs. 10,000. Of course, a hire-purchase scheme will have to be introduced. This should be possible in a joint venture of D.D.A. and private companies. Under the scheme, the possibility of renting out housing on standard rents determined by the rent controller may also be explored.

(6) As regards raising finances, we do not see any reason why, in view of the fact that housing is a basic need, the D.D.A. should not operate wholly on a no-profit-no-loss basis. As for subsidy for slum clearance programme, etc.,

there are enough luxury houses in Delhi which can be taxed at special rates. For example, we would suggest a tax on lawns in Delhi subject, of course, to certain specifications.

(7) In order to solve the housing problem, mass housing should be developed as an industry, preferably in the public sector.

(8) As we have pointed out, the Delhi Master Plan has been grossly violated and the whole of Delhi is studded with hundreds of ugly, sub-standard, unauthorised colonies. The difficult task of a thorough evaluation of the working of the Master Plan and its revision must be immediately taken up by the D.D.A.

(9) There are far too many agencies concerned with land and housing and the least that we can ask for is a central clearing house for all manner of data without which no policy can be formulated or evaluated. For example, even such simple data as the number of approved houses built in Delhi from year to year are not readily available. Steps should also be taken to prepare an upto-date and detailed map of Delhi showing the urban sprawl. If necessary, help should be taken ^{of} aerial photography. No physical planning is possible in the absence of such maps.

(10) The D.D.A. should give serious thought to the need for further acquisition of land beyond the urbanisable limits of Delhi and also the urgent need for working in a coordinated manner with the Government of the neighbouring States of Haryana and Uttar Pradesh.

(11) A Committee should be appointed for on the spot studies of Delhi's land and housing problem. This committee should consist of Members of Parliament, specialists on the land problem and citizens of Delhi.

Finally, we wish to state that even if all these steps are taken, land prices will remain high if the allied problems of tax evasion, black money, administrative corruption and political nepotism are not tackled effectively.

MUNICIPAL GOVERNMENT AND NATIONAL PLANNING IN INDIA

by

J.P. Sah

(Text of a talk by Shri J.P. Sah, Economic Planner,
Town and Country Planning Organisation, Government
of India, at the Institute of Public Administration,
Lucknow University of February 25, 1966).

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MUNICIPAL GOVERNMENT AND NATIONAL PLANNING IN INDIA

by

J.P. Sah

Let us open discussion on this subject by considering the place of municipal government in our national economy. When I refer to "Municipal Government" I include in the definition of this term not only the municipalities and the municipal corporations but all forms of urban local government. The Notified Area Committees, the Town Area Committees, the Cantonment Boards and the Improvement Trusts are equally covered by the term "Municipal Government". According to the census of 1961 we had in our country about 2700 "urban areas". The census authorities defined a place as 'urban' if it had an urban local body functioning in it. If a place did not have an urban local body, certain other criteria were used to determine its urban or rural character. These criteria were: a minimum population of 5,000, a minimum density of 1,000 persons per square mile and at least three fourths of 'workers' to be in non-agricultural occupations. As against a total number of 2690 urban areas the number of urban local bodies did not exceed about 1860. It means that about 30 per cent of our urban areas, or 830 places defined as 'urban' by the census authorities, did not have an urban

form of local government. Such urban areas were perhaps functioning under the Panchayat Raj Acts. Of the 1860 urban local bodies, 20 had the status of municipal corporations, 1485 were municipalities, 300 were notified areas or town areas and 55 were under the cantonment boards. These urban local bodies covered a total population of 69.2 million or about 88 per cent of India's total urban population. As urbanisation increases in the years to come the number of urban areas and consequently of urban local bodies will increase. So also will the proportion of urban to total population.

Municipal governments do not only cover a large proportion of India's urban population but also raise sizeable revenues from their citizens. As far back as in 1960-61 municipal government, exclusive of Cantonment Boards and Improvement Trusts, had an ordinary income of about Rs. 120 crores. In per capita terms, ordinary municipal income for all types of municipal governments taken together was Rs. 17.23 per annum. The municipal corporations being municipal government in the best developed form had naturally the highest per capita income of about Rs. 23 per annum. The average per capita income of municipalities was about Rs. 14 and that of Notified and Town Area Committees Rs. 3.76 per annum. The revenues raised by the municipal governments are spent to provide civic services and amenities and to run the municipal administration. More significant than the coverage of

population or the amount of revenue resources they raise is the fact that municipal governments are the democratic institutions at the grass roots and affect the lives of the citizens in the most direct and intimate manner - much more direct and intimate than is the case in the relationship between the citizens and the State Government or the citizen and the Union Government. Citizens can feel and appreciate the benefits or short-comings of municipal services in a far greater measure than they can of the State or national services.

Even though the number of municipal government bodies in India is very small and they cover a relatively small proportion of India's total population yet it would not be proper to assess their significance merely by such quantitative data. Municipal governments are, in fact, the local governments for the urban areas which are the vital nerve centres of a country's economic and social life. As the Royal Commission on East Africa aptly observes: "The towns are the centres of social and intellectual life, of economic, enterprise and political activity". The efficient functioning of the country's vital nerve centres, i.e., the urban areas, depends very largely upon the efficiency and effectiveness with which their municipal governments function and perform their multifarious obligatory and optional duties. A good or bad municipal government does count for a lot in contributing to the process of country's economic development or in hampering it. On a consideration

of this qualitative aspect the significance of municipal governments should be better appreciated.

Coming to the functions of our municipal governments, we find that these include a number of functions which are of vital importance, as for example, those relating to water supply, sewerage and drainage, public health and sanitation, primary education, roads and streets. Sometimes municipalities generate and/or supply power. In a few metropolitan cities they run the city transport. The provision of markets, parks, play-grounds etc., are also among their functions. An important aspect of the services which municipal government provide is that these constitute either the economic infra-structure or the social overheads. As we all know, for the economic development of a country, economic and social overheads are an essential pre-condition. For example, if the three vital services, namely, water supply, power supply and transport and communication are lacking, no industrial and economic development is conceivable. Suppose an industrial unit - of a medium or small size and not a giant unit like a steel plant - comes up at a particular place where these basic services do not exist. Supposing further that the industrialist takes it upon himself to arrange his own power and water supply, provide the requisite roads and, say, schools and dispensaries for his workers and their children, his cost of production may increase to

an extent where it may become impossible for the industrial unit to function economically and consequently the industrial unit may not perhaps survive. To the extent municipalities provide the infra-structure, they economise in capital outlays and make industrial development more feasible.

Similarly, social overheads like education, health and housing, which also are provided by municipal governments, are a part and parcel of the overheads necessary for economic and social development. Whether the social overheads should get the same priority as the economic overheads is a controversial issue. But there is no denying the fact that improvement in the educational levels of the people, their intelligence, their state of health and well-being do affect productivity, their state process of economic development in the long run if not in the immediate short run. The municipal functions should, therefore, be looked upon not from the narrow angle of their satisfying certain consumption needs, as of domestic water supply, or of giving the community a more comfortable life, but from the point of view of the impact they have on the economic development of the country. When municipal functions are viewed in relation to their role in the process of economic growth or development, they assume a new meaning and significance.

We may now consider the place of urban local bodies in our National Plans. When we come to consider this particular matter we get disappointed in no small measure.

The first two national Five Year Plans are conspicuous by the absence of any reference to municipal government as such. There are some stray schemes for urban water supply and slum clearance, but the subject of municipal government, as such does not figure in the first two Five Year Plans. The position is a shade better in the Third Five Year Plan because the Third Five Year Plan does contain at least one paragraph in the voluminous Third Plan Report. That single para No. 33 at page 693 is titled "Strengthening Municipal Government". it reads:

"At the local level, municipal administration alone can undertake satisfactorily the task of providing the services needed for development in urban areas, expansion of housing and improvement of living conditions. Most municipal administrations are not strong enough to carry out these functions. They should be sufficiently strengthened by increasing their resources and personnel and by enlarging their jurisdiction and functions. Where the present limits of the selected urban areas are insufficient to cope with the problem, they should be extended. In the case of growing towns, it would be desirable from the beginning to provide for larger rather than smaller municipal areas, so that these towns and the rural areas surrounding them can be

developed together in a coordinated manner without having to face difficulties later on account of separate jurisdictions. Inevitably, municipal administrations have larger functions than in the past for providing civic services. It is envisaged that a large proportion of towns will in future have separate development plans of their own and these will be integrated with the plans of States. In this context, a careful review of the administrative and financial measures which should be taken in cities with a population of one lakh or more other than the metropolitan areas should be undertaken in each State".

On examining this particular para a little closely we observe that most of what it says is in the nature of generalised observations which have not, however, been backed by any precise, concrete schemes, projects or programme of action. There is only one categorical recommendation in this para, namely, that all the urban areas must be asked to prepare five year development programmes. I am glad to say that this positive recommendation has been followed by the Planning Commission by a circular letter to the State Governments requesting them to prepare five year plans for the urban areas beginning with plans for cities

with a population of 1 lakh or more. But unfortunately, not even a dozen urban local bodies have yet prepared such five-year plans.

When we come to think of the neglect of the urban areas and their municipal governments in the planning process we are inclined to look at comparable developments in the rural areas. The Centre and the States have taken the initiative of creating and completing the structure of local government in the rural areas. Following up the recommendations of the Report of Balwant Rai Mehta Committee on democratic decentralisation, efforts have been made not only to complete the structure of rural local bodies by creating Panchayat Samities and reorganising district boards as Zila Panchayats, but also to strengthen them by reorganising their functions, powers and resources. Not only that but in the rural areas the government also started Community Development Programme and National Extension Service. Thus not only has the structure of rural local government has been completed and vitalized but economic development of the rural areas has also been undertaken and coordination between the rural local government and economic development established. As against this, in the urban areas there has neither been a reorganisation of urban local government nor has any integrated programme of economic development been initiated nor has any planning

machinery been constituted with the result that even after 15 years of planning urban areas and municipal governments remain outside the ken of the national planning process.

One of the major implications of this neglect of the urban areas in the three Five Year Plans is that they remain full of all those problems which have existed in them for the last several decades. No material change has taken place in the organisation or structure or finances of the urban local bodies since the days of Lord Ripon. Their administration continues to be weak and their financial resources continue to be precarious while urban environment and living conditions have been fast deteriorating. The non-involvement of municipal government bodies in the national planning process could well be considered as one of the main reasons for their continued weakness.

Why it is so may be briefly indicated. Supposing an urban local body desires to do something at its own initiative and submits its scheme to the State Government. The reply it gets in most cases is: "Sorry, we cannot spare finances for this scheme. All our resources have been taken into account while formulating the State Five Year Plan and we do not have any resources outside the Plan." As the State Five Year Plan does not cover the urban local bodies it does not take into account either requirements or their resources. So even where a municipality comes up with certain concrete projects or

schemes, however, meritorious, it is handicapped by the non-availability of initial finances. Had the urban local bodies been involved in the National and State planning process and their requirements and resources formed a part of the National and State Five Year Plans, the situation would have been different.

All of us will agree that our municipal government institutions lack dynamism even after 15 years of national planning though at the same time the Central and State Governments have achieved a good measure of dynamism. The number of departments that the Central and the State Government have today are many times more than when the Plans began. The activities of the State and Union Government have proliferated in many directions. All this is due to the administrative machinery of the State and Central Governments having been geared to achieve the goals and objectives laid down in the Five Year Plans. A similar dynamism could not get imparted to our urban local bodies because they continued to remain confined to their few traditional functions and were not required to strengthen their organisation and administration for new tasks and goals assigned to them under the Plans.

On the financial side, the revenues of the Government of India have increased by more than three times and those of State Governments taken together by about two and

a half times during the last 15 years. As compared to these impressive increases, the revenues of urban local bodies have remained practically at the same level as they were 15 years ago. I quote a sentence from the Report of the Committee on Augmentation of Financial Resources of Urban Local Bodies.

"It is evident from the data that the per capita ordinary income of municipalities has increased from Rs. 10.52 in 1950-51 to Rs. 14.15 in 1960-61, registering an average annual growth of 3.5 per cent while the State per capita revenue income has increased, during the same period, from Rs. 11.04 to Rs. 23.46 showing an average annual growth of 11.3 per cent."

This sentence reveals that the rate of growth of State per capita revenue has been three times the rate of growth of municipal revenues during the last 10 years. What I am trying to emphasise is that where as the Central and the State Government revenues increased sharply, municipal revenues have not expanded; and this phenomenon is not an inaplicable accident. The Central and the State revenues increased because the Union and the State Government were committed to achieve plan targets. If commensurate revenues were not raised many a plan scheme or project could not have been executed or implemented. Thus the basic motivation in improving governmental revenues at the Union and the State level was provided by the National and

State Five Year Plans. The revenue of the municipal governments did not expand not merely because they have relatively inelastic sources of revenues but more importantly because municipal governments had no plans, no development programmes and consequently no financial or administrative commitments. The result is that they stagnated while higher governments prospered. It is sometimes alleged that the State Governments encroached upon the local sources of revenue, as for when the States began to levy the urban immovable property tax. This allegation, however, true in itself, does not make any material difference to the point I have made.

It is my contention that if urban development suffers from backlogs, if urban administration remains inert, if municipal revenue structures are weak and vulnerable, its one most important recent reason is the non-involvement of municipal governments in the national planning process. I am convinced that if the urban local bodies were actively involved in the national planning process right from the First Five Year Plan period or even in the Second Five Year Plan, the state of municipal government in India would not have remained as depressing as it really is today. Had municipal governments been under a compulsion to formulate and follow development programmes and to achieve the stipulated physical and financial

targets set under the Plans, their organisational and administrative mechanism, their personnel and their resources would have of necessity been geared to their Plan-tasks and responsibilities. And that would have certainly made municipal governments lively and dynamic institutions.

There cannot be two opinions on the urgent need to involve municipal governments in the national planning process in the same manner in which the rural local bodies have been involved. In this context, we might recall the recommendations of the Third Five Year Plan that urban local bodies must be asked to prepare City Development Plans or Five Year Plans for their jurisdictions and the same made integral parts of the State Five Year Plans. These plans were to have been prepared in the light of not merely the local resources which local bodies could mobilize but also in the light of sectoral Plan allocations made to the State Governments. This is a very good recommendation. This recommendation was pursued by the Ministry of Health but it was found that the Municipal Bodies were not able to prepare these Five Year Plans because they did not have the requisite expertise to do so. Therefore, the Town and Country Planning Organisation of the Government of India conducted three experimental studies for Jaipur, Meerut and Agra and prepared three model Five Year Plans for these three cities. On the basis of these a note on methodology of preparing such Plans was prepared. These three pilot

studies and the methodology note was circulated to the State Governments. Now the State Governments are expected to do something in the matter. But the difficulty is that the local bodies do not have the necessary technical know-how to prepare such Five Year Plans. After all preparing such a plan is a technical job of assessing local needs and resources, of formulating projects and programmes, rating of priorities and of establishing physical and financial balances and consistencies.

A solution of this difficulty may be that the State Governments establish a cell at the State level to help their municipalities in this job. But a basic question at this point is: are urban local bodies suitable agencies for this task? In any city, besides the municipal government, there may be many developmental organisations or departments operating at the city level. For example, there may be an Improvement Trust or a Housing Board. The State P.W.D. Department might be looking after some roads, the State Health and Medical Department might be responsible for setting up hospitals and the State Transport Department might be running the city bus service. Sometimes there may even be agencies of the Union Government like the Railways or the Ministry of Defence (if there is a Cantonment Board) which might also be a party to urban development. In this way in any urban area a number of

agencies, other than the local body, come into the picture when we think of urban development. Of the various agencies, is there any single agency which can be entrusted the function of preparing a city Development Plan or Programme for the entire urban area? Most of these agencies are responsible for only one particular aspect of urban development. As against this the urban local body has most comprehensive functions in so far as urban development and urban services are concerned. If any one particular agency were to be entrusted with the work of preparing a Five Year Plan the local body would ordinarily be the best single agency for the purpose. The difficulty even here, however, is that local government is subordinate government and it is likely that some State Government Departments may not like to work under a local body if it were entrusted the function of preparing and coordinating the plan for the city. Sometimes considerations of departmental prestige may come in the way of urban local bodies being effective plan preparing and plan-implementing agencies. Sometimes the so-called local politics may be taken as an argument against it. If a local body is ruled out the question in which agency is most suitable in a function like this, where coordination has to be effected between the programme and activities of various departments of different status.

No satisfactory answer has yet been found to this question. A suggestion was that in such a situation we can

have an Urban Development Committee for the urban area just as we have at the District level the District Development Committee. This answer itself is not satisfactory but this is one line of thinking, namely, to create an ad hoc body - a planning or development committee for the urban areas. In this committee the most important developmental agencies might be represented including, of course, representatives of the urban local bodies. In bigger metropolises like Calcutta, Delhi and Bombay where the number of developmental agencies is very large indeed and problems are large and complex, such a course of action may be desirable. In smaller urban areas where the number of development agencies would not be large, perhaps the local body could be entrusted this responsibility and the local body could be suitably assisted by the State Government. These are only tentative ideas and require to be thoroughly processed further.

The next question is whether the authority responsible for preparing Five Year Plan for the city should be a statutory body or it should be an informally created one and also whether it should be merely advisory? If we create a statutory body it would be tantamount to limited supersession of urban local body in the sense that certain functions will have to be transferred to these ad hoc bodies. If it is an informal committee, the informal

arrangement may not always work well because informal arrangements depend a good deal on personal relations between the officials at the head of different departments or organisations. This and most of other related issues remain to be sorted out. I am sorry that the Planning Commission and the State Government do not seem to have given any thought to the question as to what sort of planning machinery should be created for preparing and implementing Five Year Plans for urban areas. All these are moot questions to which no answers have yet been seriously considered. Once you begin to face a problem and undertake some experiments to solve it then only do solutions emerge. In this particular matter even experiments have not been begun.

May I now pass on to yet another aspect of our theme. There cannot, I hope, be two opinions on the urgent need to involve the municipal governments in the national planning process. When municipal governments do get so involved what are its likely implications? In thinking over this issue we have to consider certain long-term perspectives of national planning as well as of urban local government. What could these perspectives be like? As you know planning for economic development has certain pre-conditions. One of these pre-conditions is that economic development and planning require a high degree of coordination and integration in inter-governmental policies and programmes. No planning would succeed if inter-

departmental or inter-government coordination did not exist. When we have such coordination and integration then we would find that local interests or local objectives have to be subordinated to national and state objectives and interests. A good measure of centralisation, whether you like it or not, is implicit in this process. Now centralisation, in the sense that the higher governments predominate and the lower governments yield, conform and subserve in the larger interests of economic development, means that the local bodies would lose some of their local autonomy. The fact is that our concept of local autonomy has to undergo a fundamental change. The relationship between the National, State and Local Bodies have to be conceived more as a partnership for a joint venture in which the local body as the junior partner has to put up with some loss of privileges and power.

Centralisation is not a necessary implication only of planning but it is the inevitable drift of the twentieth century. Certain amount of centralisation inevitably accompanies scientific and technological development. For example, many municipalities of a number of urban areas were having their own water and power supply systems. But now the function of supplying power is being increasingly taken over by the State Power Boards which are operating State power grids based on big river valley projects or

huge thermal power plants Municipalities may sometimes make bulk purchase of power from the State Electricity Boards and have the monopoly of distributing it within their jurisdiction but the function of generating power has not remained with them in a larger number of cases. Similarly with regard to transport. Take another example. The drainage and sewerage problems of Lucknow or the problem of floods in Lucknow might not possibly be solved by doing something within Lucknow itself. Some works may have to undertake, say, 10-15 miles upstream of the River Gomati to control the problem of water supply or of floods in Lucknow. This may be necessary on technical grounds. As our technology develops we may have large hydro-electric projects or even atomic power plants but when we have things like these then the operational area of these services has to be much larger than the boundaries of a local body. As the operational areas transcend municipal or local boundaries, local government does not present itself as a suitable organisation to own and run such a service. Limited supersession of municipal government by a higher government organisation then follows. In this way centralisation is inevitable. Planning could well be considered to accentuate the trend towards centralisation.

Another important consequence of centralisation will be that our ideas about the boundaries of the local bodies, of the regional bodies and even of the State Governments may have to change. Today certain municipal boundaries are there. As

indicated earlier, for water supply the municipalities have increasingly to go out so also for drainage and sewerage. City's power supply has begun to come from far distant sources. City transport services are operating extra-territorially. In respect of many activities the administrative-territorial jurisdiction of municipal government is tending to fall far too short of the operational and planning areas with the result that problems of jurisdictional conflict and of coordination are being confronted. If for many of their functions the municipalities have to take action outside their jurisdiction a better solution may be to reorganise the municipal boundaries themselves to make them co-terminous with the planning area. In that case the scientific planning unit and the unit for municipal administration could be made co-terminous. When these two are not co-terminous it is incongruous and that incongruity is sought to be rectified through coordination arrangements which in their own turn are not easy to evolve or work with. So the point is that the existing municipal boundaries may have to be reconsidered and revised.

Furthermore, many of the municipal functions which the municipalities have been considering as 'self-regarding' might not remain with them because for various reasons the local bodies might not be able to carry out these functions efficiently. Many of the functions of municipal governments

may have to be tuned over to other bodies. Such a trend is already underway - as for is to have water boards which operate over a number of local bodies. The jurisdiction of a Water Board instance in the case of water supply wherein the tendency may comprise the whole of a metropolitan area consisting not only of a number of cities and towns but also many villages. In such a situation a local body has to part with some of its autonomy in regard to the supply of water. Similarly in regard to medical services etc. The State Governments have been taking over these functions. So the functions of the local bodies will have to undergo changes.

Whereas many of the existing municipal functions may have to be taken over by the State Governments or State authorities rather than the local bodies, many new functions will at the same time be assigned to the local bodies. One of the new functions would be to formulate plans or participate in the process of plan-formulation. Another function will be to execute and implement projects or schemes which the plan assign to the local bodies. Since the sphere of State activity is bound to increase with planning, a large number of new functions are bound to come to the local bodies. If, for example, schemes of comprehensive national, social or health insurance, in our country, are provided under our national plans, the enforcement of such national services will require a very large and intricate net-work of institutions and administration. The local bodies

may in that event be called upon to undertake some of these functions as agents of higher governments. Thus the loss of certain existing functions might be more than compensated by the gain of various new functions. But in carrying out the new functions the local bodies will have to act as agents of the higher governments and also conform to the goals and standards prescribed by the national and the State Governments under the Plans.

You are aware that in the field of finances there is adequate evidence of many of the local revenue resources having been taken over by the State Governments. For instance, the Terminal Tax which once upon a time used to be a purely local tax does not remain a local tax because under the Constitution only the Parliament can now levy the Terminal Tax even if it is for the benefit of the local bodies. Similarly in regard to the tax on trades and professions, which the Constitution has frozen at the level of Rs. 250 per annum per person. Then there are instances of the State Governments levying what is called an urban immovable property tax which is a tax on an object which has a purely local tax base.

As we proceed from one Plan to another, financial integration will have to be strengthened. At the time of preparing plans the resources of the entire country and of all the governments, including the local governments,

will have to be taken into consideration. The emphasis in raising revenues and in distributing them will also have to be reconsidered with a view to bringing out a better balance of revenue resources between various local bodies. Many of the local taxes may have to be taken over by the State Governments and in lieu of that for carrying out planning tasks they will have to be subsidized either through Plan-provisions or through other forms of financial assistance. So the structure of local finance will also change as a consequence of national economic planning.

We are not planning for the sake of planning. A larger social objective of our Plans is to achieve what has been termed as a Socialist Pattern of Society. What does this imply? The socialist pattern of society implies that the productivity levels are raised higher and higher. The distribution of income and wealth must be equitably - equitable not only between individuals but also between one local body and another local body. Then the socialist pattern of society implies a substantial expansion of the public sector because in a socialist society the means of production have either to be owned by the State or socially controlled by it. Our municipal governments will also have to function in a manner that they help achieve the objectives of a socialist society.

We do not have at present any national minimum standards of civic services. There is one standard, say, in Bombay another in Ranchi, another in Hapur and yet another in Mysore. The standards of municipal services are very uneven as between different States and as between different local bodies. The Municipal Corporations, the Municipalities, and the Town Area Committees and Notified Area Committees have all different standards of same services. In a socialist society, however, the standards of certain basic services are expected to be equitable. For example, a person who happens to be born and living in, say, Assam should not feel that he is less better off in respect of some of these services than a citizen of say, Maharashtra or Gujarat. There has to be some equity not, of course, parity but equity. This equity will be achieved by having a national minimum standard of certain basic services. This national minimum will not be based on uniform standard of services but the standard will have to be related to the size of cities and towns. Acceptance of the philosophy of national minimum standard of certain basic services - a corollary of a socialist society - will imply many a financial adjustment which, again, will lead to loss of local autonomy on the one hand and gain of function on the other.

Another implication of economic development planning is that the tax policies and price policies (in services

like water supply, city transport, power supply etc.) will have to be suitably changed. At present a majority of the municipal undertakings are reported to be running at a loss. Even housing which is prima facie a profitable proposition is running at a loss or is being run on a no-profit-no-loss basis. So all these price policies and rent policies will have to be changed, and we will have to make them consistent with consideration of rapid economic growth. This will be necessary not only because we would have to raise resources to be able to plough them back but also to redistribute resources in a more equitable manner. Lastly, the municipal sector in trade and enterprise will expand. After all municipal governments also are governments. They are also public authorities. If public sector expands, municipal sector must also expand. This is quite logical.

Once our municipal government institutions get intimately involved in the planning process then the very concept of local autonomy will have to be reviewed, the functions of municipal governments will have to be reshuffled their territorial jurisdictions will have to be reorganised, their revenue systems will need to be restructured and reationalised and the relationship of municipal governments vis-a-vis- State Governments - all these and various other aspects of municipal governments will have to undergo radical changes to fit into the new context. I am afraid, that problems of municipal government in the broad frame-work of national development

planning for a socialist pattern of society have not yet been seriously thought and studied in our country. It is high time for us to do so now.

PLANNING AND IMPLEMENTING AGENCIES

by

Mohit Bhattacharya

(Paper submitted at the Seminar on Five Year Municipal Development Plans organised by the Centre for Training and Research in Municipal Administration in March, 1968).

Planning and Implementing Agencies

by

Mohit Bhattacharya

The purpose of this paper is to examine two inter-related questions: (i) who will prepare the city development plan; and (ii) who will implement the plan? In posing these questions, no implicit assumption is made that planning and implementation are necessarily to be entrusted to two different agencies or set of agencies. Apparently, these are simple questions, but their answers are not quite easy to find out. Yet, these are important questions, and unless some satisfactory answers are found out, planning and implementation may both be in jeopardy.

The agencies for the preparation and implementation of the city development plan cannot be considered independently of the functional and territorial coverage of the plan itself. The selection of functions in the development plan would determine the extent of institutional involvements. If the functions are so selected that these fall within the administrative jurisdiction of a single institution, we can call it a mono-institutional situation- The Fourth Five Year Plan of Urban Development City which the Poona/Municipal Corporation prepared in July 1965 may be cited as a model of this kind of situation. The sectors of development in the Poona plan follow closely the functions

that fall within the city's administrative jurisdiction. Alternatively, a poly-institutional situation would arise where the functions included in a city development plan are such that they fall within the administrative jurisdiction of a number of institutions. Had the Poona plan also embraced the functions of such authorities as the Maharashtra State Electricity Board and the Maharashtra State Housing Board within the city area, it would have been a poly-institutional situation.

Obviously, the needs and requirements of cities differ from place to place which would affect the extent of institutional involvements in specific instances. Even if one prepares a uniform list of functions, as the Planning Commission did, for inclusion in the city development plans throughout India, the extent of involvement of institutions would vary from State to State, and from place to place within a single State. The reason behind this is that the responsibilities for administering the urban local functions have been entrusted to different institutions in different States and in different places within a single State. Thus, with the exceptions of the city of Nagpur, no other city in Maharashtra has an improvement trust which is quite common in most other urban areas in India. Again, in U.P. there are no improvement trusts in the five corporation cities of Kanpur, Allahabad, Varanasi, Agra and Lucknow;

but in other places in the State such as Meerut, Ghaziabad, Bareilly, Gorakhpur, Dehradun, Saharapur, Aligarh, Jhansi, Moradabad, Faizabad and Shahjahanpur, the improvement trusts are functioning alongside the respective municipal boards. The presence of other institutions like the housing boards, the electricity boards etc. creates a poly-institutional situation which is commonly to be witnessed in most of our urban areas. On top of it, when the State departments, as in Jaipur (Rajasthan) directly administer services like education, water supply and roads in the city area, the poly-institutional situation is further aggravated.

The territorial coverage of the city development plan is also important in determining the agencies for its formulation and implementation. The bigger cities and urban complexes like Delhi, Calcutta and Bombay pose problems that transcend the local municipal limits and envelop far-flung regions. Secondly, in many of our growing urban centres, urban growths spill over statutory municipal limits creating thereby an artificial distinction between the municipal boundaries and the extended urbanised areas. Thirdly, there are several instances of municipalities and cantonment boards growing up cheek by jowl almost as one unit. Last but not least, an urban area like a district or sub-divisional centre or even a small town could be found to be inextricably linked with the neighbouring villages. Very often it serves as a service and shopping centre for the villages surrounding it. In all these cases, there is

need for extending the territorial coverage of the city development plan. However, it is doubtful if the concept of city development plan which would perhaps admit of marginal areal adjustment to facilitate inclusion of a neighbouring authority like a cantonment board or a panchayat, could be applied to situations obtaining in the bigger urban complexes where the crying need is for regional rather than city plans. Anyway, the main point here is that an extension of the territorial coverage of a city development plan would create a poly-institutional situation.

Given the present organisation of governments in our urban areas, it seems that there is no escape from the poly-institutional situation in them which sets the background against which the city development plans have to be formulated and implemented. This is borne out by the fact that all the three city development plans which the Town and Country Planning Organisation of the Government of India prepared for Jaipur, Agra and Meerut on an experimental basis, had accepted the poly-institutional situation. The plans for Jaipur and Meerut involve the municipal councils, the local improvement trusts and the State Governments. The Agra Plan embraces the municipal corporation, the State Government, and the Cantonment Board which agreed to share costs toward water supply. The omission of the Meerut Cantonment Board which has a civilian population of 74,000

and which is functionally, spatially, socially and economically an integral part of the Meerut City, has rendered the Meerut Development Plan incomplete and unrealistic. Similarly, the Poona Fourth Five Year Plan has the important limitation of not covering two neighbouring cantonments of Poona and Kirkee and the two new industrial townships, viz., Pimpri and Chinchwad which are presently being developed to the north-west of the municipal limits by the Maharashtra Industrial Development Corporation. For all practical purposes, these contiguous areas are integral parts of the Poona City, and they have to be treated as such for the purposes of planning and development.

At this stage, we can cite a few instances of actual preparation of the city development plans. The development plans of Jaipur, Agra and Meerut are a case apart, thanks to the experimentation by the Town and Country Planning Organisation of the Government of India. The case of Poona is, however, quite instructive. The broad guide-lines of development were laid down by the State Government. Next, an ad hoc committee was constituted consisting of the Mayor as Chairman, and some prominent citizens, corporations, M.L.A.'s, M.L.C.'s and M.P.'s.

The Collector of the Poona district and the President of the Poona Zilla Parishad were also associated with the ad hoc committee which discussed the objectives, priorities and financial implications of the plan. For formulating concrete development schemes under individual heads of development six

sub-committees were constituted with appropriate experts and technical staff. After the formulation of plan-proposals, the municipal corporation approved them by passing a resolution to that effect. The plan was next submitted to the State Government for necessary action.

Another instance is the Basic Development Plan for the Calcutta Metropolitan District which has been prepared by a specially constituted authority viz. the Calcutta Metropolitan Planning Organisation. This organisation is an expert body that functions directly under the Town and Country Planning Branch of the State Development and Planning Department.. The Basic Development Plan covers an area of 490 square miles inhabited by more than 6 million people and governed locally by 3 (three) municipal corporations, 31 municipalities, 1 cantonment board, 1 notified area authority and about half-a-dozen special purpose authorities. Besides, three zilla parishads and their constituent units are also involved in the administration of parts of the metropolitan area. The governmental picture depicted here is an example of a poly-institutional situation at its best, or shall I say, worst..

The two instances cited above point out two different approaches to the question of agencies for the formulation of city development plans. One approach would be to entrust the municipal authority to plan for its area, obviously,

following the major guide-lines set by the State Government. The other alternative is to create a special authority for this purpose. There are genuine advantages in making the municipal authority the planning agency. In that case, the needs and priorities of the municipal area are readily ascertained, there is greater possibility of a local drive for tapping more resources for financing the plan, and local popular participation is assumed. Where both the planning and implementing functions vest in a municipal authority, the latter is expected to implement its own plan quickly and successfully.

The case for a special statutory planning authority has been made out by at least two important committees viz. the Committee of Ministers constituted by the Central Council of Local Self-Government (November 1963) and the Rural-Urban Relationship Committee (June 1966). The first committee envisaged a State-level Urban Development Board which would have its operating units in specific urban areas. Where separate units could not be set up, a suitable local agency would do the work under the general direction and control of the Board. The Rural-Urban Relationship Committee, on the other hand, concerned itself with the problems of dovetailing urban and rural plans together. Accordingly, three devices were suggested for three situations viz., (i) a district with a substantial urban population; (ii) a predominantly rural district; and (iii) a metropolitan area or a city region. For the first

situation a statutory planning and development authority has been recommended consisting of representatives from the zillaparishads and the urban local bodies. The authority would coordinate, implement certain functions and set the guide-lines for planning and development which the local bodies would be following. For the second situation, it is recommended that a special committee of the zilla parishad on which the local bodies would be represented would undertake the task of planning and development with the guidance and assistance of the State Government. For the metropolitan area or a city region, two alternatives have been suggested. One is to place the entire city region under a single municipal authority, the other alternative is to create a special statutory authority for undertaking the planning and development of area-wide functions, matters of purely local interest being left to the local authorities.

Of these two committees, the Rural-Urban Relationship Committee made an admirable attempt to think in an altogether unconventional way about a possible amalgamation of the rural and urban local bodies for the purposes of planning and development. This may well be the precursor of a composite form of local government that would do away with the present-day artificial distinction between urban and rural areas. The recommendation for an ad hoc planning authority is often made to overcome the difficulties involved in a poly-institutional

situation. Also, in most cases, our local bodies do not have the necessary technical know-how and they are always area-bound. From a long-term point of view, however, the multiplicity of urban authorities such as the improvement trusts, the housing boards etc. need to be merged into the elective local government which would obviate the necessity for having an ad hoc planning authority. Furthermore, the boundary problem cannot be taken as an insuperable problem. In the ultimate analysis, an ad hoc planning authority is to substitute for an elective local planning authority which is in close touch with the needs and aspirations of the people.

Whatever be the merits of the recommendations of the Rural-Urban Relationship Committee, it is not known whether these recommendations are going to be implemented by the State Governments in the near future. Shall we then bid good bye to city development plan in the absence of the recommended agencies? Nobody present in this seminar would, I believe, reply to this question in the affirmative. Even in the absence of an ideal institutional arrangement, city development plan can be undertaken by the existing agencies operating in our urban areas. Under the municipal and panchayati raj Acts all over India, there is no legal bar to inter-local authority cooperation. Even where cooperation may not be easily forthcoming, the municipal authority can always plan for its own services and functions which is certainly better than no planning at

all. Since the planning exercise is a new thing to the local bodies, the role of the State Government in showing the guide-lines and assisting and advising them is of crutial importance.

ZONING LEGISLATION

by

Hafeezul Rahman

(Submitted at the Seminar on Law and Urbanisation in India, organised by the Indian Law Institute, at Allahabad in December, 1967).

ZONING LEGISLATION

by

Hafeezul Rahman*

'Zoning' is the name given to regulation of building development and uses of property by division into districts having uniform height, use, or bulk requirements.¹ Initiated and developed in the United States of America as an exclusive technique of controlling the use of land, it has recently been introduced in India as a corollary to the campaign for planned development of urban areas. Its purpose is to check heterogeneous uses of land so as to ensure better and decent standards of civic life to the citizenry. So recent is the concept in this country that we have not yet been able to develop any definite and precise aspects of the law of zoning. Whatever development has taken place has been merely an off-shoot of town planning laws.

A brief survey of the development of the concept of 'Zoning in the U.S.A. may help a better appraisal of the technique of our own country'.

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1. Bettman, "Constitutionality of Zoning", 37 H.L.R., 834

I

Zoning was introduced in U.S.A. with the attempts of the New York City Council to eliminate incompatible land uses from the famous Fifth Avenue.² Later, the pattern became popular and enabling legislation authorising local authorities to make ordinances for zoning the towns was adopted by all the States. In this context, considerable variation in the contents of such ordinances is natural; nevertheless, certain uniformities are discernible. The basic unit of such control was usually been the small plot of land that is designed to be developed by a single owner or builder. Building activity on such plots is so regulated as to preserve better and healthy standards of civic life in the locality concerned. This technique of control through single plots of land is called 'single lot zoning'.³

Three distinct varieties of this technique have been developed: (i) height zoning, (ii) use zoning, and (iii) bulk zoning. Height zoning ordinances divide the town in areas having uniform height requirements for buildings in such areas. Use zoning ordinances segregate residential, commercial and industrial uses in a town by assigning different areas for such uses and also provide for eradication of existing incompatible uses, usually the residential

2. Id. at 834

3. Goldston and Scheuer, "Zoning of Planned Residential Developments", 73 H.L.R. 211 at pp. 242-44

areas are further divided into single-family, two-family and multiple-family blocks. Bulk zoning ordinances regulate the size of buildings in order to control the density of population in the town or any part thereof. These techniques may either be used singly or may be combined together, in which case the ordinance is called a 'comprehensive' zoning ordinance.

Zoning ordinances are made in exercise of Police Power of the State and as they affect the freedom of the owner to deal with his property they must fulfill the requirements of the 'Due Process of Law'. The earlier promulgation of zoning restrictions was motivated by a desire to curb the nuisance potential of industrial and commercial development, which was later substituted by a concern for the health and general welfare of the people. As a related concept, it was also held that zoning enhanced the value of the property by obviating nuisances. This limited justification of zoning has lost its value in the face of modern developments engulfing zoning in the wider problem of housing the homeless. The large increase in urban population after the second world war has shifted the stress from mere eradication of nuisances and preservation of health to 'Town Planning' for better living,⁴ and 'zoning' has increasingly been used to subserve such planned development.

4. Please see the next page.

This shift has also been reflected in the attitude of the Supreme Court of the United States of America towards the constitutionality of zoning ordinances. Three phases are discernible. The first covers the period from the first decade of this century till the end of the first world war. In this period, the Court justified the exercise of such such powers primarily on the basis of an analogy drawn from the common law rule for abatement of nuisances.⁵

from pre page...

4. This shift has been brought about by the following factors: (i) incompatibility of single lot zoning with large scale housing development, (ii) technological and architectural developments necessitating more freedom in planning urban development, (iii) growing awareness of the impact of building design on human personality, (iv) growing awareness of economic segregation that results from bulk zoning, (v) realisation of the necessity of permitting some commercial uses in a residential area to provide for necessity and reduce monotony of exclusive residential districts, (vi) substitution of private agencies for public authorities that enjoyed immunity for zoning requirements, to bring about urban redevelopment, (vii) pattern of financing urban redevelopment that requires compliance with zoning requirements and hence effectively restrains imaginative handling, and (viii) the need for flexibility and adaptability that planned development for future involves. See: Vladeck, "Large Scale Developments and one House Zoning Controls", 20 Law and Contemporary problems 264. Williams, "Planning Law and Democratic Living", Id. at 317
Toll, Zoning for Amenities, ibid, p. 265

5. Welch V. Swasay, (1909) 214 U.S. 91
Pierce Oil Corp. V. Hope (1919) 248 U.S. 498

Towards the end of this period there was an extension of this attitude to activities which were not per-se nuisance, and yet by reason of their situation or a change in circumstances had the potential to harm the health of the residents.⁶

The next phase began after the first world war when the problem of finding accommodation for the growing urban population assumed a pointed acuteness. Justice Sutherland became the principal architect of judicial opinion in this field. In a series of cases beginning with the Euclid case⁷ the court upheld the exercise of comprehensive zoning ordinances because of their relation to general welfare of the community. It was no longer necessary that the prohibited use had a nuisance potential. Zoning was given a positive content, and whenever its exercise was conducive to the general welfare of the community it was valid. It was held that even in cases where the relation of impugned ordinance to public welfare was not clearly established but was also not clearly negatived the court would not interfere.

The third phase is marked by the development in the concept of over-all town planning which found expression in the opinion of Justice Douglas in Berman V. Parker:⁸

6. Hadacheck v. Sebastian (1915) 239 U.S. 394

7. Euclid v. Ambler Realty Co., (1926) 272 U.S. 365;
Garib v. Fox (1927) 274 U.S. 603;
Zahn v. Board of Public Works (1927) 274 U.S. 325;
Nedtow v. Cambridge (1927) 274 U.S. 183

8. (1954) 384 U.S. 26

The concept of public welfare is broad and inclusive. The values it represents are spiritual as well as physical, aesthetic as well as monetary. It is within the power of the legislature to determine that the community should be beautiful as well as healthy, spacious as well as clean, well-balanced as well as carefully patrolled.⁹

And, for that purpose, the learned Judge held that if the opinion of the experts constituting a Planning Commission was that the whole area be redesigned so as to eliminate the causes of blight, it was not for the Court to adjudge each particular instance of the exercise of power.

It may be added that the impugned legislation in the instant case (District of Columbia Redevelopment Act, 1945) provided for the creation of a Planning Commission to prepare and implement a comprehensive plan for land use in that district. The respondents had successfully assailed its validity in the lower court on the ground that their property was not a danger to public health and hence not amendable to the exercise of Police Power. The denial of the court to look into the validity of actions taken in individual cases under an integrated plan without referring to the whole plan vindicated the propriety of the planning approach to zoning problem.

II

Prior to the adoption of the Constitution of India, regulation of land use in urban areas by zoning techniques was almost non-existent in this country.

9. Id. at 32

Control of building operations was left in the hand of local authorities for the purpose of ensuring sanitary conditions of life. In exercise of these powers they might prescribe conditions relating to the size of front, side and back yards, percentage of covered area, height of the proposed building and the material to be used for construction. The control was exercisable only in respect of future building operations and that too in respect of individual buildings. No general control of land use was envisaged or expected.¹⁰

The growth of urban population after the First World War together with rapid industrialisation created new problems. Legislative enactments like the U.P. Town Improvement Act, 1919, were aimed at providing for improvement of the town by eradication of habitation unfit for human dwellings. But as yet nothing in the line of zoning techniques was consciously resorted to. This happened only after the advent of the constitution. The first comprehensive statement of the objectives in that respect was made in the Second Five Year Plan to the following effect:

If planned urban development is to be undertaken and the lines along which various urban or potentially urban centres are to develop over the course of the next ten or fifteen years, there is need for a clear conception of the pattern of economic development and especially of industrialisation which is to be followed in determining the distribution, location and size of various industrial and other undertakings... The aim must ultimately be to evolve balanced urban-rural regions which would provide stable and diverse

10. See Secs. 178-186 of the U.P. Municipalities Act, 1916

employment and through the provision of the necessary economic and social overheads, achieve development at reasonable social and economic costs.. To achieve this objective, action has to be taken in each State along five principle directions;
1. Each State should have a phased programme for the survey and preparation of master plans for all important towns. These should provide for integration of land use and zoning principles in each town or area with a view to obtaining the maximum amount of efficiency and economy in working and living conditions....

...It is recommended that town and country planning legislation should be enacted in all States and the necessary machinery for its implementation should be set up.¹¹

It must be noted that the foregoing statement mentions zoning only as a subsidiary of town planning for the purpose of segregating incompatible land use. Even as such the task was left to the States which enjoy the power to legislate in respect of land, local authorities and social and economic planning. In this context we may briefly analyse the legislation in respect of planned urban development of the State of Uttar Pradesh as a prototype of such State legislations with a view to delineate the zoning concepts found there in.

In 1958, the State of Uttar Pradesh put on its statute book a skeleton legislation "The U.P. (Regulation of Buildings Operations) Act." It is a small enactment of 19 sections creating the barest framework for planned town development. The Act deals both with construction

11. Second Five Year Plan, p. 569 (Publication - Division, Government of India, 1956)

of buildings on individual plots as well as with relaying of any area as a site for a colony or townships, and its development by individuals or groups. Some regulations and directions have also been made by the State Government in exercise of the powers conferred upon it by the Act.

Whenever the State Government is of opinion that a particular area requires to be regulated under the Act with a view to the prevention of bad laying out of land, haphazard erection of buildings or growth of sub-standard colonies or with a view to the development and expansion of that area according to proper planning: it may declare such area to be a regulated area by a notification published in the Official Gazette in accordance with the terms of Section 3 of the Act. Consequent upon such notification the State Government is to create a Controlling Authority consisting of a Chairman who should be a civil servant not below the rank of a Sub-Divisional Magistrate and other nominated members not exceeding nine including the heads of the local authorities where such area is situated.

The Controlling Authority and the State Government have been empowered to issue general directions by notification in the Official Gazette in respect of a large number of matters including development of a site into a township or colony, division of a site into plots, erection of buildings on such plots, use, design and number of such buildings, the amenities to be provided in such buildings, and use of land for purposes

other than the erection of buildings. Any development in the regulated area, which expression also covers building operations, can only be made with the permission of the Prescribed Authority created for this purpose. In granting such permission the Prescribed Authority must be satisfied that the proposed development and use of the land is in accordance with the standards laid down in the directions, and the proposals and standards of the Master Plan of the regulated area, approved by the Controlling Authority. Any construction made without such permission or in contravention of any conditions attached thereto may be demolished and the developer shall be liable to pay a fine which may extend to ten thousand rupees.

In exercise of its powers to give general directions, the State Government issued some direction pertaining to Zoning in 1960. These directions prescribe that at least 10% of the total area of land covered by a layout plan duly approved as such by Controlling Authority with the prior sanction of the State Government defining the boundaries, character of land-use, zoning, stages of development, main existing and proposed communication lines and major open spaces....' As we have seen in case of United States of America, zoning according to a Master Plan has distinct advantages on classical zoning techniques in providing an integrated picture of future development of the city and

having the requisite flexibility and adaptability for that purpose that the classical techniques lack. But for that purpose it is essential that planning should be made a pre-condition of intensive building development, and it must be further ensured that the plan is made after honest and intensive collection of statistical data on the basis of predictions reasonably related to the data so collected, and should not be drawn from doctrinaire principles or slogans.

Besides this, it is necessary to create an identity of purpose between the affected interests and the proposals of the Master Plan to ensure smooth running of the development in accordance with the plan. This requires participation of such interests in the creation of a plan. But this aspect has been thoroughly neglected by the said legislation. In the absence of such a provision it is even doubtful whether the legislation could survive an attack on its validity on ground of infringement of Article 19(1) (f) of the Constitution. There is no participation at all, no opportunities for representation are provided to the affected interest. Perhaps, the basic reason for this is that development is conceived to be confined to areas where land has already been acquired by the State, but this restriction severely debilitates the legislation. So confined, it would fail to serve the purpose of planned urban development except in the comparatively small number of areas where the State owns all the land, and in respect of which

it would seem unnecessary since the State in its capacity as the owner may well have achieved the same results by contractual means. The legislation was obviously necessary to arm it with such powers to control building development of areas of which it has no proprietary right, but in respect of which it is doubtful whether the legislation would be constitutionally valid in the light of the observations of the Supreme Court in Maneklal Chottalal v. Makwana. There, a unanimous court speaking through the Justice Vaidalingam had upheld the validity of town planning law of the State of Bombay. His Lordship observed:

At every stage, from the beginning to the end of the Act and the Rules, make very elaborate provisions regarding the formalities to be gone through, by the local authority, by the State Government and by other authorities concerned; in the matter of preparing and finalising a Town Planning Scheme. At all stages, a very wide publicity is given by the authorities concerned, in the matter of making known its proposals to the public and to the owners of land, who are sought to be affected by the Scheme. Provisions have been made for filing of objections and suggestions and the authorities being bound to take into consideration those objections and suggestions.... Therefore, having due regard to the substantive and procedural aspects

we are satisfied that the Act imposes only reasonable restrictions...(A.I.R., 1967 S.C. 1373).

In the light of these pronouncements of the highest court of the land it is obvious that the legislation which imposes restrictions on user of property with reference to a Master Plan in the preparation of which no participation is afforded to affected interest can hardly be sustained. The framers of the enactment appears to have not been sure of their commitment to development by planning, and rightly so because planning is a costly exercise that need only be undertaken in cases where it is necessary. It is not every development that requires planning. It is only where intensive development is expected in future, like new or existing industrial towns, state capitals and the like, that proper planning is required to accommodate present changes to possible future trends. Moreover, State resources in our country are limited so that it is not possible to take up planned development throughout the country in the same breath. A phased approach is dictated by circumstances that cannot be altered overnight, so that planned development is only possible where it is absolutely essential.

In the light of the foregoing the following suggestions are formulated in respect of legislations which may be undertaken in regard to Zoning:

- i) A distinction may be made between areas that need planned development and areas that only require a regulation of development to ensure sanitary conditions of existence. For this purpose a distinction can be easily made on the basis of population. Towns with a population of more than one lakh may be picked up for planned development. New township should be based on planned development.
- ii) Zoning in areas taken up for planned development may be made a part of such development, and the techniques adopted may be such as to subserve the planned development of the area.
- iii) Where planned development is required, provision may be made for providing opportunities to affected interests in the area sought to be planned to participate in the formulation of the plan; and for this purpose the planning authorities be required to give wide publicity to the plan proposals and to consider the representations made in this behalf. Reasons be given in respect of decisions reached.

- iv) The planning authorities may be expert bodies rather than executive officers of the Government.
- v) Provision may be made for a periodic revision of such plans to ensure their conformity with changing situations as well as technological advancements.

THE NATIONAL WATER SUPPLY AND
SANITATION PROGRAMME

by

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(Paper prepared for the Second Short Term Training
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The National Water Supply & Sanitation Programme

by

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The happiness and all powers of a nation depend upon the health of its people, which is essential for its economic progress. Good health not only reduces the economic burden of man but also creates an environment in which constructive effort could be applied to the production of goods and provision of services. Prevention of disease and preservation of health as well as economic development depend to a large extent upon the environment in which people are born, grow, study, work and recreate. Safe and adequate water should be available to the community and its waste products should be collected and disposed of satisfactorily.

Drought, in 1966 resulted not only a drastic cut in the industrial and economic activity of Bombay because of the water shortage, but also caused serious consideration for the evacuation of a large segment of population. Infectious hepatitis epidemic in 1955-56 in Delhi made a rude awakening in the minds of the people to the importance of safe water supply. Cholera is present in endemic form in many parts of India, filaria is hyper-endemic in some areas and guinea-worm infestation is prevalent in certain districts. Typhoid

death rate is still high - 71 per million population even in 1963 while in U.K. it has been reduced to one, in 1954, and in U.S.A. only 0.32, as early as 1945. Infant mortality of 77.6 per thousand live births is one of the highest among big countries. Every year twenty lakh deaths and one crore cases occur due to gastro-intestinal diseases.

If all factors such as freedom from water and filth borne diseases, saving in earning and medical bill to the individual, municipality and Governments, the encouragement and impetus that an adequate and safe water supply and proper sanitation gives to the industries, reduction in the rate of fire insurance and in the expenditure of anti-mosquito measures, conservancy, transport and disposal of human excreta, reduction in the mortality and morbidity rates, improvement of civic amenities and promotion of tourist traffic etc. are assessed in the correct perspective it would be far greater in the per capita saving when these facilities are provided than otherwise.

If water supply and sanitation facilities are to be provided to the entire country, necessary finance has to be raised, a vast organisation both at the centre and at the state and local governments is necessary; trained, experienced and capable staff is essential; necessary materials and equipment have to be manufactured; schemes have to be conceived, planned, investigated, executed and maintained

and operated properly. Above all, the users participation is essential. The National Water Supply & Sanitation Programme has been initiated in the Union Ministry of Health in 1954 to carry out this onerous responsibility.

The problem of providing water supply and sanitation to the urban and rural population of India was not fully realised prior to independence. In 1944, however, the Health Survey and Development Committee spotlighted the problem. The Environmental Hygiene Committee in 1949 offered some concrete suggestions for five year plans for water supply and sanitation but only in the latter half of the first plan a scheme was included in the National Development Programme. A panel of the Building Project team of the Planning Commission in 1961 studied the Water Supply and Sanitation Problem of the country and assessed the requirement. In 1959, a team of United States engineering experts and in 1960 the National Water Supply and Sanitation Committee set up in the Ministry of Health reviewed the position.

About 30% of the towns, mostly the bigger ones, had water supply but only 4% had sewerage. Even in those towns, large areas were not served with these facilities. The quantity and even the quality of water supply and the collection, treatment and disposal of sewage were inadequate and far from satisfactory. It was estimated that in order to

cover the 1961 population, a sum of the order of Rs. 1,000 crores was required for urban, water supply and sewerage and Rs. 600 crores for piped water supply and Rs. 120 crores for simple wells in the rural areas.

The task of providing satisfactory water supply and sanitation to the entire nation is enormous. The vastness of the area, the large number of villages and the hydro-geological features of the country and the difficulties involved in the technical, administrative and financial procedures and operation of the huge number of installation made the problem very difficult. There are 2690 towns with a total population of 7.9 crores according to 1961 census. Out of this about 44% live in 107 towns and cities with more than one lakh population, about 1.1% live in 266 small towns with population less than 5000 and 24% in 1927 towns with less than 20,000. On the rural phase 36 crore people live in 5,59,000 villages; 71% in medium villages of 500 to 2000 population.

The strain on urban water supply has increased enormously in recent years due to urbanisation, industrialisation, over-crowding especially in large cities and influx of labour from rural areas. Indefinite postponement by municipalities and Governments of much needed augmentation schemes as well as improper maintenance have added to the problem. Provision of sewerage facilities lag far behind

water supply, which creates unhealthy environment. Filaria and malaria are introduced into such communities, which would take considerable time, effort, energy and finance to be eradicated. Much of the insanitation in our towns is due to faulty design, planning, siting and construction of privies and the primitive methods of collection of human excreta. The proper way is by water born sanitation. At the present rate of growth the population figure is expected to reach 68 crores in 1981. The quantity of water supply each person and industry requires is increasing as also the number of people and industries.

Central Public Health Engineering Organisation established in the Ministry of Health & Family Planning is the technical body to implement the National Water Supply & Sanitation Programme. Water Supply & Sanitation Schemes of the State are reviewed in the CPHEO. Officers of the Organisation also visit the states to give technical guidance at site whenever necessary. It helps the States to establish Public Health Engineering Departments; directs and conducts Public Health Engineering training. Seminars and Symposia and Public Health Engineers' Conference are being arranged. Initiating research, collection, collation and dissemination of basic data and technical information is also part of its duties. It publishes type designs, brochures and lays down standards and specification for

design and construction of works. Manuals on various aspects of Public Health Engineering are being published. It also keeps liaison with national and international organisations and agencies in this field. Developing public relations and promoting public support to the programme as well as provision of technical expertise in this sphere to other departments and to even private agencies is part of its function. In short, it is engaged in the establishment of Public Health Engineering on sound footing in this country.

Public Health Engineering programmes are initiated by the CPHEO as and when the need is felt. The probable amounts available under the various plans and in the different financial years are intimated to the States and their plan proposals invited. Proposals for urban water supply and sewerage schemes and those for metropolitan cities and special projects as well as the requirement for rural piped water supply schemes and well construction programme are received. The State Government representatives are invited to Delhi and the proposals of each State are discussed in the Health Ministry, Ministry of Finance, Planning Commission and Directorate General of Health Services are also represented in the Working Groups. The allocations recommended by this group is consolidated and adjusted in the Planning Commission. The State Governments are then asked their acceptance. The allocations are revised

according to the final plan allocation or yearly provision.

Originally, the allocated amounts were adjusted in the State funds at the end of the fiscal year based on the expenditure incurred by them. Each State Government has different procedure. In some States, the funds have to be deposited by the Municipalities with State Public Health Engineering Departments as a pre-requisite for the works being taken up for execution. This caused some delay. Now the State Governments can draw three-fourths of the allotted amount in nine equal instalments in the first nine months of the year; the balance being adjusted at the end of the year.

The State Governments forward the Water Supply and Sanitation Schemes prepared by their Public Health Engineering Departments to the Union Health Ministry for scrutiny and approval under the National Water Supply & Sanitation Programme. Urban Water Supply & Sewerage schemes approved by the Central Government are entitled for 100% of the cost as loan which has to be repaid together with interest in twenty five annual instalment. Water Supply Schemes costing upto ten lakhs may be sanctioned in the States without reference to the Centre. All the sewerage schemes whose effluents would be utilised for agricultural purposes are entitled for 12½% of the cost from the Centre as subsidy and a watching grant from the State Governments, the balance being given by the Centre as loan.

Rural schemes are given 50% of the cost as subsidy from the Centre and the other 50% is being financed by the State Government, with an element of the cost shared by the beneficiaries, the users share was supposed to be in the form of labour and locally available material. The idea is to make the user have a sense of personal participation in the scheme so that he may take an active interest in its proper operation and maintenance. The States' share vary from 25 to 50% of the cost depending upon their policy and the financial position of the villages.

The programme is being executed in the various units - village, Panchayat Development Blocks, Municipalities and Corporations. The State Government execute the schemes through their Public Health Engineering Departments and on completion hand them over to the local bodies or Panchayats in the case of rural schemes, who operate and maintain them. The progress of execution of the scheme is watched at the Centre through the quarterly Progress Reports on the execution of the schemes forwarded by the State Governments.

The CPHEO has at present sixteen technical posts and a small administrative section. Most of the States now have Public Health Engineering Departments. While the CPHEO in the Ministry of Health is concerned with the L.S.G. Department works, the State Public Health Departments are under different administrative depart-

ments; some under Health, other under L.S.G. or P.W.D. Some States have separate P.H.E. Departments while in some others it is a wing of the P.W.D. or Irrigation or other Engineering Departments. In Rajasthan, Gujarat and Maharashtra the Chief Public Health Engineer also functions as Additional Secretary or Joint Secretary to the State Government. The rural programme is executed in different States by different agencies, P.H.E.D., L.S.G.E.D., P.W.D., Revenue Department, Agriculture Department, Irrigation Department, Community Development Department, Rural Development Department, Industries Department, Tribal Welfare Department, Electricity Department, Highway Department and so on. Even in the Union Government the rural programme has been administered until recently by the Planning Commission, C.D. Ministry, Social Welfare Ministry in addition to the Health Ministry, rural piped water supply is, however, now under the Health Ministry and well construction programme in the Community Development Ministry. All the public health engineering works should legitimately be brought under the P.H.E. Department. Establishment of separate P.H.E. Departments in the Centre and States and bringing all the P.H.E. works into the Department is difficult but within a short time there is substantial progress. It is hoped that in a few years the position will be much more satisfactory.

A large army of public health engineering personnel is required to construct and maintain the vast number of water supply and sewerage installations. Engineers, Engineering Assistants, Supervisors, Water & Sewage Treatment Plant Operators, Pipeline men, filter mechanics, plant attendants, Sanitary Chemists, Biologists, Bacteriologists, Laboratory technicians, geologists, well drillers, Ground water development crew and other technical personnel are essential for the programme. Proper training programme is necessary if we want the above mentioned technicians as those who are already trained are very very few in number.

Post Graduate course in P.H. Engineering was started in the All India Institute of Hygiene and Public Health in 1948. Now there are some eight institutions which provide this course. The present capacity for training in these institutions is seventy per annum. About 500 Engineers have been trained so far. Foreign fellowships from W.H.O., Colombo Plan etc. were availed of to get post-graduate degree in P.H. Engineering from abroad. Now these are mostly travel fellowships awarded to deserving engineers who already possess post-graduate degree in P.H. Engineering. Short term course of three months' duration was started in All India Institute of Hygiene & Public Health and graduate engineers were trained in P.H.E. in the first

few batches. Such condensed courses are extended in three other institutions and these are meant to train subordinate engineers. Water Works Supervisors courses are being conducted by the CIHEO in collaboration with the Central Public Health Engineering Research Institute at various local centres. The next course will be held in September, 1967, in Bhopal. One course was conducted to train Sanitary Inspectors in rural water supply and sanitation. Courses for Sewage Works Supervisors and Sanitary Chemists will be taken up soon. Starting of refresher courses for Public Health Engineers is also being considered. One course to train subordinate engineering personnel was conducted by the State Government of Orissa with W.H.O. assistance. Pilot rural water supply and sanitation projects implemented with WHO/UNICEF help also provides for the training of field workers.

In order to encourage training, Union Ministry of Health and Family Planning is giving stipends to inservice candidates sponsored to the various courses by the State Governments. The stipends are in addition to their pay. The Ministry also meet the cost on study tours, books, notes etc. for the courses. The Union Education Ministry also offers scholarships to students taking up post-graduate courses in Public Health Engineering. With all the inducement, encouragement and effort the response from the users is not as much as it should be. But with the

realisation of the importance of Public Health Engineering, the position is becoming brighter and brighter.

Under the National Water Supply & Sanitation Programme a nominal provision of Rs. 6 crores each was made for the urban and rural schemes in the First Plan to be spent during the remaining eighteen months of the plan. The provision for the urban phase was, however, increased later on to Rs. 12.72 crores. 272 urban water supply and sewerage schemes estimated to cost Rs. 50 crores and 135 rural water supply and sanitation schemes with a total estimated cost of Rs. 14 crores were approved during the First Plan but the expenditure incurred was Rs. 8.15 crores and Rs. 5.52 crores only on the urban and rural schemes respectively.

In the first three Plans under this Programme a sum of Rs. 160 crores was provided for the urban schemes. Payment amounted to Rs. 110 crores but the execution of works would be about Rs. 130 crores. Against a provision of Rs. 51 crores for the rural schemes in the three plans under this programme, financial adjustment came to Rs. 33 crores only. All the rural schemes executed under various programmes, however, would come to about Rs. 100 crores.

It may be noteworthy point that the entries provision, though very meagre, was not expensed fully. This is due to various causes. Central loans are sanctioned only to the State Governments whose responsibility it is to

reallot the loans among the Municipalities and their payment to the Centre. Loans are given to those municipalities whose financial position is sound. According to the State policy which varies from State to State, some portions of these loans are to be treated as grants. The very idea of subsidy has an inhibiting tendency as the schedule of programme has to be adjusted, more according to the donors' convenience than that of the users.


During the first three plan periods about water supply and 200 sewerage schemes estimated to cost Rs. 1.85 crores for the urban areas and about 2100 rural water supply schemes totalling to a cost of Rs. 46 crores were approved under the National Water Supply & Sanitation Programme. Roughly 34% of the urban population has adequate and 26% partial water supply services. It leaves about 40% of the population which have no protected water supply. About 76% of the population, however, have no sewerage facilities. On the rural side majority of the easy areas have been provided with protected water supply and the remaining is proposed to be covered in the Fourth Plan. The scarcity and difficult areas still remain to be recovered. About 30% of the rural population have inadequate service and about 25% have not been provided with potable water supply.

According to the latest information available 420

lakhs of rural and 820 lakhs of urban population are at the risk of contacting filaria. 52 towns are considered hyper-endemic for filaria. Cholera is prevalent in endemic form in 48 districts where in live about 180 lakhs urban and 900 lakhs rural population and 50% of them run the risk. Guinea worm infestation is prevalent in 42 districts and 90 lakhs population are at risk. These diseases can be controlled by providing adequate and safe water supply and satisfactory sanitation.

As you all are aware the fourth Plan proposals are yet to be finalised. A tentative provision of Rs. 373 crores has been made in the plan for rural and urban water supply and sanitation. A sum of Rs. 223 crores has been indicated for urban water supply and sewerage. This includes about Rs. 33 crores for cholera and filaria areas. The share for the rural piped water supply and sanitation is Rs. 105 crores and Rs. 45 crores for simple well construction. The amounts have to be distributed among 17 States and 11 Union Territories and specific amounts earmarked for metropolitan cities, special projects and cholera, filaria and guinea worm infected areas.

The annual plan outlay for the current fiscal year has been finalised recently. Provision for water supply and sanitation is Rs. 36.96 crores. This is 2.76 crores more than the provision made for last year; yet the allocation is far far below the requirement.




Water Supply and collection and disposal of waste water should be taken as the twin services necessary for a community. These should be taken and a joint venture and operated and managed on business lines so as to make them at least self paying. Many of the handicaps from which these services are suffering in the local bodies can be removed if an autonomous body is made responsible for this work. Such bodies would also increase the efficiency of operation and maintenance of water supply and sanitary installations. The Central, State and Local Self Governments are trying to solve the problem of providing the services to the nation. But the amount involved is huge and so it will take a number of years if not a few more plans to reach a satisfactory level. The Boards if empowered and equipped to raise capital from open market can speed up the pace. Assistance from International bodies such as the World Bank, International Development Agency would be forthcoming if the Boards are run on sound business basis. In fact a beginning is already made. Such Boards are established in Bangalore and one or two other places. A large number of such Boards should be formed all over the country.

Traditional materials used with Water Supply and Sewerage are in short supply. New materials are coming in the market. Steel pipes, R.C.C., A.C. and prestressed concrete pipes and plastic pipes are being used more and more.

Lead used for jointing C.I. pipes is to be imported. It is in short supply throughout the world. Other jointing materials are being tried. Specials, valves, pumps and other machinery, chlorinators, water meters etc. are not produced in the country in sufficient quantity. Their quality is also yet to be established. Coordination of production, supply and utilisation of these items is necessary from the National point of view.

Research both fundamental and applied is essential for every industry to explore and discover new methods. The population is increasing so also the number and types of industries. Water resources required are becoming more and more costly and difficult as the sources are either used up or polluted. Modern industries produce varieties of items of goods and throw out more kinds of pollutants. Research is, therefore, necessary in the Water Supply & Sanitation field to catch up with the industrial advancement. Research in the new materials used in the Water Supply & Sanitation Projects as well as in the processes such as demineralisation, desalinisation, defluoridation, water softening, iron and manganese removal and treatment of sewage and industrial treatment is to be intensified. In other countries research is undertaken in the Universities, private industries and by the State and Federal agencies also. Industries which produce materials and



equipment do research on the methods of operation and use of the materials and equipment they produce. Research in manufacturing and construction techniques should be broad based so as to make the research workers and field workers work in close cooperation so that maximum benefit could be obtained of the research in its utilisation in the field.

In our country research at every stage is yet to develop to full scale. Central Public Health Engineering Research Institute established in the C.S.I.R. & I.C.M.R. in the Ministry of Health & Family Planning are carrying out research on some of the Public Health Engineering problems. The Union Minister for Health & Family Planning is the Chairman of the Coordination Committee of the C.S.I.R. with regard to Public Health & Medical subjects. The Indian Standard Institution is engaged in standardising materials, equipment, type designs and methods of application especially with regard to the quality. CIHEO is collaborating with the institution in so far as Public Health Engineering is concerned.

As the demand for water for agriculture, industry, drinking purposes etc. is increasing the resources are actually dwindling. Water resources planning, conservation and protection of sources and replenishing it involves the coordination and cooperation of many departments such as Health, Irrigation, Food, Agriculture, Geological Survey, Industries, Public Works, Transport etc. It also requires

greater coordination between technocrats and administrators and politicians too.

With the development of industry the pollutants are also increasing in number, variety and quantity. The cost of exploiting the source and treating it is very much on the increase. The problem of treatment becomes so acute that in some cases it is almost impossible to treat the water. Conservation of water resources and water pollution control is another felt need. An enactment bill is being submitted to the Parliament. As soon as it is passed the State Governments would also make suitable amendments in their existing laws or initiate separate enactments. But the pollution control programme should be started in all States without any loss of time or it is too late.

Water and sewerage systems are expensive to build and maintain. The number of plants which will be built and maintained will be colossal. Efficient design and construction of the system can easily be negated by inefficient operation, maintenance and management. Satisfactory quality in the operation can be achieved by a combination of technically sound and economic design and proper maintenance but nothing can substitute good and efficient management.

One important aspect which is lacking very much is public relations. Water supply and sewerage enterprises

require the acceptance, participation and support of the community at all stages. It should be associated at all levels where important policy is to be evolved. Even if the community fully realised the need for the services it does not always appreciate the importance of the services to the health and economic development. There is a general feeling on the part of the user not to pay for these services which is the responsibility of the Municipal or State Governments, without any charge. Even among the educated class there is a reluctance to pay for these services. Effective public relations is essential to make the consumer accept the idea that the facilities of water supply and sewerage are to be paid for just like other services, such as electricity, gas etc..

A country's progress is reflected not so much on its per capita income as the character of the civic amenities enjoyed by its people. Water Supply and Sanitation facilities are the main factors in environmental hygiene which is the basic pre-requisite for civilised being. Protected and adequate water supply and hygiene, disposal of waste play a large part in raising the standard of living. In fact these are fundamental necessities of life. Industrial and agricultural development should of course receive the importance. The material benefit of man will be no doubt advanced by these but his environmental sanitation including town & country planning, housing, water supply and sanitation should be improved for an integrated improvement of man.

URBAN TRAFFIC AND TRANSPORTATION

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URBAN TRAFFIC AND TRANSPORTATION

by

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I. Introduction

Of all the innovations of modern times the motor-car has had the greatest impact on our lives. Motorised transportation has brought about growth and prosperity to our cities. In fact the concentration of people and resources in our urban areas would have been impossible without the mobility and supply lines afforded by transportation. At the same time it has also created chaos, noise and danger in our cities. It has altered our way of living by making us restless and perhaps nervous. While its benefits are many, the problems it has brought to our cities are numerous. Paradoxically, our larger cities have now grown to the point where they threaten to strangle the transportation system itself that made their growth possible.

Improving and restructuring our cities to meet the demands of the motor-car and at the same time to restore and conserve the quiet tranquility which made our early towns so livable, is perhaps the greatest single challenge confronting our civic leaders and planners today.

It is important to bear in mind that the primary purpose of any traffic and transportation system in an urban area should be to improve the economic and physical conditions and the environment in which we live. Human values and the well-being of the community are more important than purely engineering

accomplishments; nevertheless, the two must go hand in hand.

II. Statement of the Problem

The present crisis in transportation in our major cities is largely the result of growing concentration of population and economic activity in them. Nearly 3% of the total population of the country or about 20% of the urban population lives in four largest cities of Calcutta, Bombay, Delhi and Madras.

Traffic jams on the roads during the peak hour rush connected with journey-to-work, delays and traffic accidents are the most critical problems faced by major cities in India today.

The root cause of traffic congestion is that much of inherited pre-motor age road network in our cities with irregular alignments, narrow widths and frequent intersections has become obsolete in design and inadequate in capacity to satisfactorily cater to the demand placed on them by the nature and volume of present day traffic. Parking of vehicles and loading and unloading operations along the road kerbs prevalent in our cities usurp valuable road space, much needed for the movement of the traffic. Moreover, either because of the inadequate capacity of the foot paths along the roads, or because of the encroachment upon them by hawkers etc., or the non-provision of foot paths, the city roads are cluttered with pedestrians, especially during the peak hours of the day. The ever popular bicycles, animal-drawn vehicles and hand-carts further aggravate

the congestion and chaos on the roads, particularly in the central area of the city. Consequently, mass transportation vehicles are restricted from performing their assignments satisfactorily. Another important aspect of traffic conditions on the city roads is the inadequate enforcement of 'control and regulations' in traffic operations.

The traffic congestion on the roads causes delays in transporting passengers and goods, increasing wear and tear on vehicles, and fuel consumption. It is also largely responsible for increase of accidents and therefore, greater expenditure for police supervision and other administrative services rendered.

It has been estimated that in larger cities of India more than 50% of the total daily passenger trips are performed during the peak hours of the day. Such acute 'peak' conditions are caused by the improper location of residential areas in relation to larger employment centres. Such a pattern coupled with the rapid growth of suburban areas with increased distances between work-places and homes, has brought about the rush of commuter traffic twice daily in the central area of the city. Improperly sited residential areas give rise to very little off-peak travel and the peak load public transit¹ vehicles return practically empty imposing additional burden on the economy.

1. This is especially term of Delhi.

Despite the awareness of the traffic and transportation problems in the cities and the attention they receive, the prospects for any meaningful relief are not very encouraging, while at the same time new problems of traffic congestion are inadvertently being created. Our sustained failure to tackle urban traffic and transportation problems, while blandly disregarding the proliferation of traffic congestion and show-balling mass transportation demand, will ultimately plunge us into a situation requiring excessively costly solutions.

III. Analytical Tools In Traffic And Transportation Planning

- In order to assess the current deficiencies in traffic and transportation facilities and to determine the future needs of the urban area, it is essential to carry out traffic and transportation surveys which have been developed through research and experience over a period of years. Recent technological developments especially in the field of high-speed electronic computer, have made correlation of urban land-uses and urban travel possible. The changing character and distribution of land-uses within an urban area determine the amount and distribution of travel within the area and the transportation system that must be provided to serve the anticipated land-use pattern. While there has long been realisation of the relationship between travel and urban land-use, it is only recently that work has been undertaken to quantify this relationship. The introduction of high-speed digital computer has of course been a necessary adjunct to this development.

Because of interaction between the transportation system and land-use, transportation planning has become significant and integral part of the planning process. The aim of transportation studies is to formulate a transportation system to serve and reinforce the proposed land-use plan. The town planners must now make more use of such studies and use them to evaluate a number of alternative land-use plans. This, however, can only be achieved by determining the effect of transportation facilities on land-use.

The planning process thus includes collection of basic data on travel characteristics, land-use, population and economic activities of the urban area. The comprehensive traffic and transportation study consists of the following surveys:-

1. Home Interview Survey.
2. Commuter Survey.
3. Commercial Goods Transport Survey.
4. Commercial Passenger Vehicles Survey.
5. Outer Cordon Survey.
6. Speed and Delay Study.
7. Screen Point Survey.
8. Collection of data on present Mass Transportation facilities.
9. Parking and Terminal Study.
10. Intersection Improvement Study.
11. Pedestrian and Cycle Survey.
12. Study of Traffic Regulations.
13. Planning factors analysis (existing land-use).

The basic data collected as a result of these surveys indicate the dimensions of the problems and the difficulties in evolving solutions. They provide the information required to locate present deficiencies and indicate what improvements are required. They also help to identify what will be required

for the future after taking into account additional travel that can be accommodated on existing facilities. After the desire lines have been determined this would provide for establishing the relationship between land-use and trip generation which would provide the basis for working out the future travel demand and allocate it to the proposed transportation net-work for the anticipated land-use. The purpose of traffic assignment is to obtain a balanced transportation net-work.

IV. Systematic Measures Needed For Dealing With Urban Traffic Transportation

In the face of existing and impending urban transportation problems, certain measures need prior attention.

1. The first and most urgent is the modernisation of traffic operations for obtaining maximum capacity and efficiency of traffic movement within existing channels of movement that serve an existing pattern of land-use in the urban area.

This measure consists largely in the regulation of direction, speed, turning movements, and of parking and loading. It involves the use of accessory devices, such as traffic signal systems, safety islands, improvement of street lighting, physical provisions for the separation of different types of traffic, safety education and pedestrian control etc.

2. The second measure lies in the provision and improvement of physical channels of movement, such as urban highways and public transit lines, and in the provision and improvement of the accessories to these channels of movement, such as stations, terminals and facilities for parking, loading and unloading and transfer points, provision of by-passes, elimination of level crossing etc.

This measure similar to the first one is equally urgent because the existing channels in our cities are critically deficient in providing adequate service even for present day demands.

3. The third and most basic level of action for a long-range solution of traffic and transportation problems is the planning, guidance and control of change in the pattern of land-uses. This measure emphasises the need for a closer relationship between transportation and urban development, Urban development deals with the physical environment as a whole, and transportation by its very nature forms an essential component of the environment. Hence, comprehensive planning and development of the environment must of necessity include transportation as one of the major elements of the total planning process.

At this juncture it may be important to mention that in U.S.A. The Federal Aid Highway Act of 1962 has made continuing comprehensive transportation planning mandatory for

cities with more than 50,000 population. Such steps are very necessary in India if our cities are not to be overwhelmed by transportation crisis*.

The difficulties of urban traffic mobility stem mainly from concentration and haphazard development of urban communities. Transportation problems of our cities will never be solved if we continue to crowd too many people and too much economic activity into too little space. Traffic congestion during the peak hours will be inevitable so long as people live in the suburbs, work in the central area, and start off at the same time to get to the same area of work.

To avoid unmanageable transportation demand, it would, therefore, be necessary to deconcentrate population and economic activity. There is already an evidence in our country of the need to direct future urban growth into smaller urban centres around the metropolitan cities and creation of new towns in undeveloped regions which are replet with potentialities for the overcrowding in metropolitan cities that modern transportation now renders unnecessary. Besides this, there is also a need for renewal of existing urban centres to achieve improved further traffic mobility. Urban renewal and plans for future urbanisation can help overcome rush hour traffic congestion by planning self-contained residential areas. Traffic can in

* Despite the obvious merits of transportation planning, the applicability of U.S. measures to Indian situation where, after a certain city size - mainly metropolitan traffic volume falls very steeply, should be carefully considered. EDITOR

this way be minimised by the elimination of unnecessary travel and a dispersal of the total volume of movement. Approaching the problem of urban transportation on the demand side offers a better hope of curbing the endless race between traffic growth and the capacity of transportation system. In India, where most of the urban expansion is yet to come, it is all the more necessary to plan for it ahead, *so that costly mistakes*

VI. *the first one omitted*
Administrative Arrangement For Urban Traffic and Transportation Management

At present there is a diffusion of authorities responsible for mass transportation in cities, namely, the railways, road transport undertakings, and in some cases tramways etc.; the responsibility for road improvements, provision of new roads, lies with the municipal and state authorities. Again, traffic control is looked after by the police authorities*. Such an arrangement has proved unsatisfactory.

The administrative and management side of traffic and transportation in cities, therefore, needs proper examination. Since different transportation modes available in the city are closely interrelated, it is essential that the principal means of mass passenger transport operations in cities be coordinated to provide efficient and convenient services to the public

* See, in this connection 'Special Agencies in Metropolitan Calcutta' by Abhijit Datta and Leslie Green, Calcutta Research Studies, No. 8., Asia Publishing House, Bombay, 1967

In the metropolitan cities, this will require public action at Central, State and local levels for setting up a single metropolitan transportation authority representing various interests, to achieve the required coordination. A legislation will have to be enacted to empower the authority to act promptly and effectively. It should have sufficient jurisdiction over the metropolitan area to carry out integrated programme for traffic and transport improvements that will result in the maximum benefit at the minimum cost. It would include planning for future development of transport including rapid transport express-ways, off-street parking facilities, terminals for passenger and goods vehicles and other related facilities. A decision on the choice of the administrative form, however, could be made only after careful examination of the issues involved.

CITIZENS' PARTICIPATION IN MUNICIPAL ADMINISTRATION

by

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(This paper was originally submitted at the Orientation Course in Urban Administration organised by the Department of Public Administration, Osmania University, Hyderabad in June, 1967).

CITIZENS' PARTICIPATION IN MUNICIPAL ADMINISTRATION

A clear meaning of the words used in the subject is a necessary prelude to a proper understanding and dialogue in social studies. For example, does municipal administration imply the political processes of electing the councillors and the chairman, and does it cover administration through committees of elected members or not? Bearing these doubts in mind I have tried to define citizens' participation to consist of four aspects:

- 1) Participation in the political processes and Institutions;
- 2) Participation as experts in public offices, i.e., as civil servants;
- 3) Participation as critics and watch-dogs of the political and administrative process; and
- 4) Participation as resource-suppliers, reformers, and providers of services in addition to those supplied by the Government.

These four aspects comprehensively cover the entire area of citizens' participation in administration. Here we examine these aspects with special reference to municipal administration

Participation in the Political Process

In modern democracies there is hardly any distinction between a citizen and a non-citizen within a state. There may be a distinction between a citizen and an alien but there is not the former distinction between a citizen and a slave as it used to exist in some ancient states. Here municipal is

contrasted with rural; and so all citizens, as defined under the appropriate laws and residing in municipal areas participate in its administration in one capacity or other of the fourfold types defined above. They may be voters or leaders; tax-payers or consumers of services; they may be in private or public employment. But all residents in a municipal area participate in civic activities either as producers, distributors or consumers of the city's resources and services.

1) Citizens become eligible to participate in the political process when they acquire the right to vote. Very often individual citizens do not take the initiative to get oneself registered as voters. This is a primary lapse in the first principle of citizen participation. Indifference to get oneself registered as a voter is an indication of political inertia or civic indifference. This lapse, however, is rectified by the interest of candidates seeking election or by the parties that set up candidates for elections.

Alternatively, the municipal authorities or election commissions may periodically bring the voter's lists upto day by deleting the deceased or by including those who have attained the eligible age.

2) A more serious problem of citizens' participation in municipal administration is the lack of enthusiasm among the electorate to debate and discuss the worthwhileness of

policies and programmes, the merits and demerits of candidates. More than half the voters appear to abstain from exercising their franchise unless the candidates or parties use all kinds of inducements (sometimes coercive techniques) to come and vote.

3) The indifference towards participation in elections is attributed to many factors: (a) lack of civic consciousness (b) absence of immediate interest (c) fear of incurring the displeasure of rival leaders or groups and so on.

Politics also has become, unlike in the nineteenth century, a specialised occupation of a few rather than an extension into civic life the energies of the enlightened and successful leaders in industry, agriculture, commerce or professions. Consequently, the bulk of the citizens have become a silent audience rather than active participation in the game of politics.

4) Participation in elections is only a preliminary to the citizens' participation as elected councillors or members in committees of the council. If the bulk of the citizens show active interest and make right choice of candidates, the councils and committees should have a leavening influence on municipal administration. However, recent studies in municipal administration, not to speak of other levels of administration, do not give much credit to the

performance of councillors as representatives in the deliberative body or as quasi-executives when some of them are elected or appointed as members of the committees. The deliberations of the council are often punctuated by unseemly scenes of vulgar accusations and counter accusations leading to walkouts or forcible evictions. Sometimes the higher level governments act in indecent haste by superseding the municipal councils for alleged violations of rules and regulations or inefficient and incompetent ruling.

5) Both statutory drawbacks and organisational complexities are responsible for the unsound state of the elected municipal bodies. In my view, the State Governments' right to supersede a municipality is a negation of the built-in correctives of the philosophy of local self-government. Instead of allowing the electorate to correct its elected representative, the State Government, by virtue of its statutory powers, exercises this corrective role and thereby denies to the citizens the opportunity to participate effectively as a check upon municipal administration. Politics, both municipal and state-wide, have, therefore become more divisive than cohesive and corroding than corrective of urban community life.

6) From its beginning, in the nineteenth century, municipal administration in India has been vitiated by the incapacity to bring about a partnership and a harmony between

the elected and appointed wings of the municipal government. The elected chairman and the appointed commissions are at logger heads as regards their respective roles and responsibilities in the execution of policies. The scramble for executive power has become all the more serious and pronounced when municipal corporations are called upon to undertake enormous developmental activities with assistance from national and State governments. The elected representatives, as policy makers, begin to entertain a feeling of helplessness when, in the process of execution of development plans and programmes, appointed executives distribute patronage. The elected members feel that they owe responsibilities to the electorate without power to execute promises whereas the appointed executives have powers without the need to face the electorate.

7) The power to supersede "inefficient" municipalities and the lack of a harmonious relationship between the elected and appointed executives seem to affect adversely the atmosphere for effective citizen participation in municipal administration. To these must be added the wrangles among rival political parties both inside and outside the councils in spoiling the image among citizens of a healthy civic administration. The behaviour of political and administrative leaders sets the model, either active or passive, for the participation of citizens in the political processes.

Participation as Experts and Trustees

- 8) That citizens participate in municipal administration as civil servants in the urban local government is often overlooked in many studies on citizen-government relationships. They may be working as clerical or administrative town planners or sanitary inspectors etc. As civil servants, their citizenship obligations are reinforced by trusteeship obligations as holders of public offices. Civil servants' participation in civic administration is often ignored as citizens' participation but in a developing country, their civic sense and their expert skills contribute a great deal towards improvements in municipal administration. Civil servants do not cease to be citizens when they enter municipal service. In their capacity as civil servants they play a dual role as citizens and as civil servants.
- 9) The integrity and efficiency of civil servants tend to inspire the best and the highest form of citizens' participation in municipal administration. The character and skills of the political representatives and the permanent civil servants go a long way towards overcoming the hardships of scarcities in material resources and equipment of municipalities. The leadership and personnel in municipal administration could enlist the support of the largest number of citizens, both in revenue collection and in use of municipal services, provided the elected and appointed officials subordinated their individual career pursuits for

promoting the ends of justice and service through their public offices.

10) While the extended interpretation of citizens' participation, namely, as public servants holding public offices is logically sound, it does not appear to receive practical recognition. There are many reasons for this. The enormous increase in area and numbers in cities, described as "urban explosion", is leading to immense complexities in municipal administration. Municipal services are not able to keep pace with the physical and demographic growth rate. The revenues are inadequate to meet the rising expectations and costs of providing the services. Using public offices for private enrichment by elected and appointed servants is causing frustration among many citizens. Without decentralisation among mohallas or wards among the growing cities, the distance is increasing between the citizens and government. Multiplicity of statutory bodies outside the normal control of locally elected bodies, for the provision of specialised services, such as city improvement trusts, transport undertakings, electricity boards etc., are creating confusion in administration. Multiplication without coordination of organisation and functions is baffling the citizens

who are busy in their struggle for bread winning. Both civil servants and political servants are lost in the jungle of byelaws, rules and regulations the knowledge of which is either limited or absent but the conformity to which is emphasized as paramount for efficient administration. Most of these laws and regulations are archaic and dysfunctional and the tradition of secrecy in government helps the self-seeking civil servants to exploit the ignorance and poverty of the citizens.

11) As a consequence of the cumulative effect of the many short-comings listed above for purposes of illustration, there is no recognition of citizens' participation in municipal administration as civil servants. The latter are regarded as greedy, self-seeking exploiters rather than as the servants of the citizens. This type of attitude of the public towards municipal civil servants is both unfair and unwarranted because, inspite of widespread in-efficiency and corruption among them, the municipal civil servants have been keeping the wheels of local government moving. For the many deficiencies in their character or calibre, or for the unsatisfactory political ethos or the phenomena of poverty and paucity of services, the political climate and the administrative system are much more responsible than individuals or a group of civil servants. The public also must

put the problem in its perspective and give the civil servants their due recognition in the maintenance of local government and in the provision of services. Public appreciation of municipal civil servants and their role is as much an element of citizen participation as proper payment of taxes.

12) The third and the fourth aspects of citizen participation refer to the citizens' alertness as critics and their ability as reformers and contributors to the provision of more and better services outside the local government auspices. These two functions are here coupled together with a view to be brief and also to view the two sides together serving a common end, namely, negatively to reform the evils in municipal administration through effective organisation of informed criticism and positively to demonstrate how better these services could be provided through non-statutory bodies in supplementing the statutory services through voluntary organisations.

13) Indeed, the subject matter of 12 could be easily isolated and described as the accepted meaning of citizens' participation in municipal administration. This would have been correct provided, however, the political and administrative infrastructure of civic administration is sound and effective. As this is not the case in many States and cities in India, it is regarded as necessary for

civic bodies outside civic government to participate in improving them. No government, it should be remembered, could give to the people better administration than the leaders and the personnel that constitute and operate it. Here it is well-worth to remember that these are all drawn from the different groups in society, and as in a river, so in society, its level at no point could be higher than at its source.

14) Citizens's participation, as watch-dogs or critics of municipal administration, is adversely affected by a decline of interest in city politics among the city elites in professions or business. This is because of the bad odour associated with "Politics". Instead of politics becoming a civic instrument for development it is identified with factionalism, groupism and partisanism. This is because in the growing cities of today there is neither homogeneity of interest nor community of purpose. Physical proximity does not necessarily contribute towards a community feeling among citizens on account of heterogeneity of backgrounds, mobility of people, pre-occupation with one's own family cares and worries. These are supplemented by social distance and psychological in-security arising out of ignorance about people in the neighbourhood. Consequent upon the absence of community feeling and due to lack of intimate knowledge about

people residing in the neighbourhood, those who enter city politics introduce many mal-factors to win elections rather than serve the constituents. These factors discourage healthy citizens' participation in municipal affairs.

15) If these handicaps of diversities, divisions and distances are to be overcome, honest and highly placed leaders in professions or in business should create a more close-knit community feeling. In some urban areas, possibilities of development on these lines were explored and organised under the auspices of urban community development schemes and urban welfare extension projects. There, however, seems to operate a law of inverse relationship between organisation's enthusiasm and people's response; or briefly, the law of inverse ratio of organisation-human response. Initially the leaders and organisations are idealistic and enthusiastic to do things so as to improve the conditions of the people but the latter are indifferent and reluctant due to fear of exploitation or due to ignorance about the bonafides and resources of the organisations. By the time the people begin to understand and take interest, the leaders shift their idealism and resources into other channels, leaving the organisations flat and poor. This law of inverse organisation-human response has operated in both the rural and urban community development

projects. Like Gresham's law in economics, namely, bad money drives out good, this law operates in politics and administration and proper steps have to be taken to counteract the operation of this law.

16) Citizens' participation in municipal politics and administration has for a long time been recognised as a barometer of a country's democratic faith and conduct. If the level of citizen participation is low, obviously the elites in all walks of life must identify and remedy the evils. No universal or uniform prescriptions could be laid down for stimulating more active participation of interested and informed citizens in politics and administration.

Unfortunately, today both these have become as complex as economics and commerce. Indifference to public affairs and ignorance among the citizens about these matters are sure indicators of the weakness of democracies that grow beyond a size determined by the assimilating capacities of the people. Thanks, however, to the diverse mass media of communication, large size democracies have at their disposal ways and means of stimulating the active participation of more citizens in municipal administration. But their use requires imagination and resourcefulness to communicate knowledge and to spread wisdom about interest in the science and art of municipal government and administration.

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This means a human approach to the mass of voters as dignified citizens. Our investment on this means is still far from pragmatic and adequate. We seem to be satisfied with formal structures rather than the substantial values and ways of life in sustaining urban local democracies. It is time that democratic values and ways of life are given as much attention as structures, forms and procedures.

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URBAN COMMUNITY DEVELOPMENT AND THE LOCAL AUTHORITIES

by

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URBAN COMMUNITY DEVELOPMENT AND THE LOCAL AUTHORITIES

Nature of Urban Community Development

The two primary objectives of community development are self-help and welfare. In addition, community development in an urban context also stresses on community integration. Between the two primary objectives, stress on one or the other would depend very much on the level of existing community services and the orientation of the movement. Given a reasonably developed system of community facilities, the orientation towards either self-help and welfare depends on the socio-political climate of a country. In an underdeveloped country like India, although the temptation to opt for a purely welfare orientation is great, the realities of the situation demands a well-balanced mixture of self-help and welfare objectives. How these two seemingly opposite objectives are to be reconciled is a matter of speculation, although if our past experience in the rural sphere is any guide, it would seem that the orientation has always been towards welfare. In the urban areas, without a homogeneous community and a sense of belonging to city life, it is likely to be more difficult to mobilise effective public participation in the community development projects.

Apart from the objectives, the range of functions sought to be covered by community development programmes needs to be carefully looked into. It is important in the Indian context to concentrate more on output and employment rather than on amenities. Here also our experience of rural community development shows that over the past few years the emphasis

has been more on productivity than on amenities. In the urban sphere too it would perhaps be worthwhile not to ignore this lesson. In fact, the erstwhile Ministry of Community Development and Cooperation in a note to the Rural-Urban Relationship Committee suggested that in the urban areas there is considerable scope for undertaking economic and production programmes, such as, organising industrial cooperatives, technical training for artisans, developing subsidiary and home industries to meet local needs, and so on.¹ It is necessary, therefore, to be clear in our minds about the exact role of urban community development, both in regard to its picture as well as its range of activities. For one thing, cost-benefit aspect of welfare cannot be wholly neglected when large amount of public funds are involved. Secondly, one should be careful in not duplicating the activities of existing public agencies under various plan projects. Thirdly, there should be a proper balance between internal and external financing so that appropriations from the treasury act as a "pump-primer" of locally conceived and supported projects.

II. The Existing Urban Community Projects: their relations with the voluntary agencies and the State departments

The existing urban community development projects in India have been conceived by a number of agencies and institutions and, as a result, different types of institutional arrangements exist for their administration and finance. At one extreme there are individual pilot

1. Report of the Rural-Urban Relationship Committee, Government of India (Ministry of Health and Family Planning), Vol. I, 1966, pp. 130-131.

projects by foreign foundations and voluntary associations as in Delhi, Ahmedabad and Baroda. On the other hand, nationally operated schemes have been launched by the Central Social Welfare Board, the Planning Commission and the Ministry of Health and Family Planning. In between, there is the novel experiment being carried out at Jamshedpur by the Tata Iron and Steel which is a single-city scheme organised as a welfare project of the company and is outside the purview of a nationally conceived movement.

It is likely that the pilot projects started by different organisations will sooner or later be integrated with a nation-wide pattern of community development, since private foundations cannot sustain such activity indefinitely. Such integration is not always easy, especially if these pilot projects started with objectives or techniques which are very different from those of the nationally operated activities.

Leaving aside the question of such ad hoc pilot projects and the unique Jamshedpur programme, at the national level the three separate movements may be examined more closely. The Central Social Welfare Board runs about 65 projects in various cities and industrial towns through voluntary organisations. The Board's grant amounts to Rs. 10,000 per annum per project and the voluntary agencies contribute to at least Rs. 2,500 on a matching basis. The Planning Commission's scheme is operated by the Bharat Sevak Samaj at the cost of Rs. 7,556 per project including an equivalent grant for the central organisation.

In other words, the Samaj acts as a line agency of the Planning Commission in this regard. The urban community development scheme of the Ministry of Health and Family Planning, however, is implemented through the State governments, local authorities and voluntary agencies. The cost per project comes to about Rs. 4,8000 per annum and an additional Rs. 15,000 is provided for local improvements, subject to matching contribution from the public.

Although all the three nationally-conceived programmes enlist the support of voluntary agencies, the Ministry's scheme is only permissive regarding the association of such agencies, while the Boards scheme is operated only by the voluntary organisation. It is difficult to assess the role of the samaj as a purely voluntary organisation since it does not, as a rule, depend on local voluntary efforts and carries out the Planning Commission's programme on a contractual basis. In that, it is more like a specialised institution for organising social work.

As one would expect, both the Board and the Planning Commission experienced difficulties in their relations with the local authorities are ignored at the time of initiating the projects, they cannot be expected to commit their funds even for maintaining the facilities created. Moreover, the elected representatives the local authorities naturally regard community contacts as their special privilege. The Ministry's scheme took these factors into account and accordingly laid down that the urban local bodies would be the administrative agencies for its implementation. But, the scheme envisages Project Advisory Committees where enlightened citizens and voluntary organisations would

be represented. Also, where circumstances warrant, the municipal authorities may even entrust the project work to an outstanding individual or a voluntary agency. This pattern exists throughout India, except in West Bengal where the two projects near Calcutta (Tollygunge and Salkia) are functionally directly under the State Government through local voluntary organisations.

The relationship of the urban development projects with the different line departments of the State government also needs to be spelled out. Here also, only the Ministry's scheme envisages that the State governments would act as the channel for disbursement of funds and coordinate the projects. In West Bengal, the State Government has organised the entire activity departmentally under the Directorate of Urban Community Development. Community development, under the Ministry's scheme, enlists the State administration and the local authorities and their pattern of relations in this particular respect would be coloured by the existing State-local relationships. This is marked departure from the experience in the rural sector where the newly created panchayati raj absorbed the bureaucratic block administration and in the process had the worse of the bargain through the eclipse of local autonomy.

Where the State governments are fully involved in urban community development, as under the Ministry's scheme, allocations from the different departments responsible for implementing various plan projects, such as, health, housing, education, town and country planning to specific urban community development projects would be made through the municipalities and would thus increase the volume of specific purpose

grants to these bodies. In West Bengal, such financial allocation would follow the system already practised for rural community development. However, the volume of such appropriations is expected to be rather insignificant in view of the limited conception of the urban projects.

As pointed out earlier, care has to be taken not to duplicate the efforts of the State departments concerned with improvement of urban facilities, such as, water supply and sanitation, housing and slum clearance, urban roads and transportation and so on by including these activities under urban community development as well. There is, therefore, need for effective coordination of all local development efforts both at the State as well as at the local authorities' level.

III. Integration of urban community development with local government administration.

The ECAFE seminar on urban community development held in Bangkok (1963) recommended as follows:

"Whether or not the initial responsibility is central or local, the policy and purpose of urban community development should be directed, towards incorporation of the programme in the administrative structure of the appropriate local governmental authorities. Only in this way will the essential nature of community development, with its three main aspects - self-help and citizenship participation; coordination of local efforts and resources; and the integration of local communities into the mainstream of national development, be truly effective".²

2. United Nations (ECAFE) Report of the Asian Seminar on Urban Community Development, 1963, p. 25.

This is an important recommendation, but before we accept this it is useful to examine the pros and cons of this in the Indian context. It would not be out of place to recount our experience with regard to rural community development vis-a-vis the panchayats. The main reason why the Balwantrai Mehta Committee suggested the integration of community development activity with the legally constituted local authorities in the rural sector is that this was the only way to ensure continuity of the projects.³ This is an important consideration in the urban sector as well.

Attempts in several other countries to create ad hoc development committees on a nation-wide basis have not met with any appreciable success. For instance, in Ceylon, the Commission on Local Government thought "that the legally constituted democratic institution of the village, namely, the village committee, quite rightly feels that it is being supplanted and atrophied and is losing its appointed place in village society".⁴

Where, however, the statutory local government bodies do not exist in the same form as an urban local body (e.g., municipality), it would be worthwhile to try ad hoc development organisations. The peri-urban or sub-urban regions, for example, are outside the legal jurisdiction of the urban local bodies; similarly, new townships, company or government towns, etc. might well have a broad-based development committee where particular interests (panchayats, principle landowner/

3. Report of the Team for the Study of Community Projects and National Extension Service, Government of India, (Planning Commission, CCPP), Vol. I, 1957.

4. Ceylon, Report of the Commission on Local Government (Sessional Paper XXXIII), 1955.

URBAN COMMUNITY DEVELOPMENT PROJECTS IN INDIA

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Urban Community Development Projects in India

The experiment of community development in the rural areas led to some systematic thinking and discussion on the question of evolving a concept and a suitable pattern of urban community development to deal with urban problems which, of late, have assumed added significance and have become far more pressing with the growth of population and rapid urbanisation. The need and importance of urban community development has, however, been accepted at all levels. It is essentially a people's programme. Its primary objective is to organise and educate the people, mobilise their resources, inculcate in them a spirit of participation and belonging to the community. The Projects aim at developing initiative among people for community action and helping them in thinking and planning for themselves. It has to be a people oriented programme.

Urban Community Development Projects on pilot basis:

Urban community development in India is in an experimental stage. A number of projects run by different agencies are in operation in the country in the belief that the different experiments might ultimately prove helpful guides in evolving a uniform approach to urban community development. The earliest approach in the urban field was made by the Central Social Welfare Board by setting up a total of over sixty urban welfare extension centres. The UCD project in Delhi instituted in 1958 by the Municipal Corporation of Delhi with the assistance of the Ford Foundation was the first major comprehensive experiment. Later a pilot project was also started in Ahmedabad on Delhi pattern with the assistance of the Ford Foundation. The

American Friends Service Committee (AFSC) has undertaken a pilot community development project in Baroda which has now been functioning for over two years. The Tata Iron and Steel Co. Ltd. has been conducting in the meantime a novel experiment in community development and welfare at Jamshedpur. The Public Cooperation Division of the Planning Commission sponsored a programme of Urban Lok Karya Kshetras and the Bharat Sewak Samaj has been running over 50 Lok Karya Kshetras in slum areas of cities and towns in India.

The Third Five Year Plan recognised the need of a concerted approach to Urban Community Development and made a token provision of Rs. 50 lakhs for the purpose. The questions of objectives and organisational and financial patterns were referred by the Ministry of Health to the Rural Urban Relationship Committee and a scheme for Urban Community Development on the basis of the recommendation of this Committee was drawn up. It was decided to start 20 pilot projects in Urban Community Development in different parts of the country covering a population of 50,000 each. The programme has now been operating for about a year in 13 towns and cities of varying sizes with Delhi having two projects. The remaining six projects have also been allotted and are likely to start functioning in the near future.

Concept of Objectives of UCD Programme

A) U.N. definition of community development

The United Nations report on Community Development and Related services, published in 1961 defined community development as connoting

the "process by which the efforts of the people themselves are united with those of the governmental authorities to improve the economic, cultural and social conditions of communities to integrate these communities into the life of the nation and to enable them to contribute fully to national progress." The report also stated the acceptable aims and the objectives of community development as under:

- a) creating civic consciousness and the acceptance of the idea of civic responsibility;
- b) encouraging and stimulating self-help schemes;
- c) creating a sense of social coherence on neighbourhood basis;
- d) preparing local communities to share in the administration of certain basic services not yet adequately provided by the community;
- e) identifying and training local leaders;
- f) coordinating community projects with the functions of public bodies and local associations.

The above United Nations report was the outcome of experience gained in the field of rural community development. The report underlined the fact that the concept may be redefined and adopted with reference to the urban areas which is a mass of heterogeneous community coupled with a wide diversification of occupational distribution and economic strata as distinguished from rural areas.

B) Delhi Project's objectives

The Delhi UCD pilot project had set forth the following objectives:

- a) social-integration of the communities on a local level basis through participation, self-help and mutual aid programme
- b) development of a sense of civic pride by stimulating local interest in campaigns for civic improvement;
- c) preparation of ground for the discharge of some municipal services by Vikas Mandals of people's Development Councils with local leadership;
- d) creating the necessary climate for undertaking programmes of economic, betterment based on the maximum use of community researches and local initiative.

C) Ahmedabad Objectives

The UCD Project at Ahmedabad started on the experiences of Delhi in 1963, laid down the following objectives:

- a) awakening and strengthening of community life and sense of belonging among the residents of the selected areas on the basis of implementing programmes based on self-help and mutual aid;
- b) organising Citizens' Development Councils at the level of Mohallas and Group of Mohallas to evoke, enlist and further collaborative efforts on the part of the people and prepare the background for the democratic decentralisation of Municipal Services;
- c) mobilise local resources, leadership and initiative with a view to involve the citizens in the wider process of development of the city.

D) Baroda Project Objectives

The Baroda UCD Project run by the American Friends Service Committee was instituted in 1964. It has set the following specific aims and objectives of the project:

- a) developing in selected neighbourhoods the attitudes skills and organisations for self-sustaining local improvement;
- b) strengthening and increasing the effectiveness of the relationship between Governments, voluntary agencies and the people of the community so as to make better use of community resources in solving common problems;
- c) developing effective methods of selecting and training community workers;
- d) developing and testing methods and materials which may be widely applicable in planning, executing and evaluating UCD programmes;

E) U.C.D. Projects - initiated by the Ministry of Health:

The scheme and pattern of urban community development formulated by the Ministry of Health set forth the following aims and objectives:

- a) Creating a sense of social coherence on a neighbourhood basis through corporate civic action and promoting sense of national integration;
- b) developing a sense of belonging to the urban community through increased participation of people in community affairs and creating a way of thinking while concentrating first on solving problems with their own initiative, organisation, self-help and mutual aid;
- c) bringing about a change in attitudes by creating civic consciousness and by motivating people to improve their conditions of life, particularly those affecting social and physical environment;
- d) developing local initiative and identifying and training of local leaders;
- e) ensuring fuller utilisation of technical and welfare services by helping the community to locate what help can be had from the municipality or other organisations and how to get it; and what assistance and guidance can be obtained from Governmental and higher levels and how to approach them.

The scheme lays special emphasis on local initiative, self-help and organised action on the part of the local communities, in order to enable the people to get maximum benefits from the facilities provided by the government agencies and municipal departments under the various plan schemes of welfare and development. The projects are to serve as a catalysts between the people and the government and municipal departments to ensure the maximum impact of limited resources through coordinated effort.

Organisational pattern and coverage:

The Central Social Welfare Board sponsored in 1958, a

a) Ur- scheme of Urban Welfare Extension Projects in over-crowded and conges-
ban ted slum pockets of industrial towns and cities with a view to 'instill
Welfare a will to better living'. The projects are run through voluntary
extension social welfare organisations which share at least 1/4th of the Board's
projects grant amounting to Rs. 10000/- per annum. Each project, provides for
sponsored by a Community Organiser, assisted by a Bal-Sevika, Craft teacher, Helper
C.S.W.B. etc. The annual expenditure on staff amounts to about Rs. 6,000/- to
Rs. 7,000/-. About 65 such projects are in operation and the Board
has under consideration a revised Scheme for the Fourth Plan with a
schematic budget of 62,500/- for a period of 5 years out of 5,000 will
be paid as grant with a local contribution of 12,500/-.

The Bharat Sewak Samaj has been conducting with cent per cent financial aid from the Planning Commission, about 50 urban Lok Karya Kshetras, covering 500-1000 families each, in the slum areas of

towns and cities in India. The Public Cooperation Division of the Planning Commission provided assistance at the rate of Rs. 7350/- per Lok Karya Kshetra which covered the total expenditure incurred on staff, accommodation, stationary, travelling and other contingencies. A Central Office was also provided for at least three a more Lok Karya Kshetras for which a grant of Rs. 7550/- was given.

b) Lok
Karya
Kshetras
conducted
by Bharat
Sewak
Samaj

Every Lok Karya Kshetra consisted of an Organiser and two field workers - one male and one female. The Central Organization had a Organiser and the secretarial staff comprising Accountant - cum - Assistant, Typist, Messenger or Sahayak. The grant of Rs. 7550/- for the Central Organisation included a sum of Rs. 2500/- for training of voluntary workers drawn from amongst the slum dwellers, in the techniques and methods of enlisting and mobilising public support and participation in the programmes undertaken by Lok Karya Kshetras.

The Urban Community development project at Baroda, sponsored by the American Friends Service Committee (AFSC) has been in operation since 1964. Nine Community Workers - 6 males and 3 females have been assigned 4 different types of neighbourhoods

c) Baroda
UCD pro-
ject
run by
A.F.S.C.

including a slum area and a new labour housing colony of the city. A team comprising one male and one female community worker had been assigned one area each same on which was the largest area for which 1 female and 2 male community workers had been allotted. An important feature of the projects is a Citizens' Council under the presidentship of an outstanding citizen with members drawn from the Municipal Corporation, State Government and industrial, labour, and social welfare organisations.

Community
Develop-
ment and
Social
Welfare
Programmes
organised
by TISCO

Jamshedpur has had since 1958 a novel pioneering company managed programme. The Tata Iron and Steel Company Ltd. (TISCO) had been organising, through its community development and Social Welfare Department, Social welfare and community development activities covering seven Bastees of Jamshedpur comprising a total population of 49,000, which includes 10,000 employees of the Company. There is a Community Development and Social Welfare Officer assisted by two Senior Social Welfare Organisers - one for general supervision, guidance and promotion of activities - physical, cultural and recreational and the other for general organisational work. For each of the seven Bastees there is a team of social welfare organisers comprising one male social welfare organiser and one female Assistant Social Welfare Organiser. The lady Organiser has to be equipped with some training in field work and domestic crafts. Part-time craft-cum-social workers are also engaged to assist in the promotion of social workers are also engaged to assist in the promotion of social and cultural activities in the Bastees.

An interesting and significant factor in the promotion of the programme is the field worker/Sevadal Volunteer selected from amongst the residents of the Bastees who is provided four month's intensive training, which gave them an opportunity to know something about everything i.e. first-aid, fire fighting, family planning, vaccination, nursing, health and sanitation,

Five Year Plans, Indian Constitution, Cooperations general knowledge about community development, etc. These volunteers are selected from amongst employees of the Company living in the locality. They are paid an additional allowance of Rs. 15/- p.m. and are provided with two sets of uniforms. About 300 such volunteers are in the field covering about 150 families each. Two Instructors having Diploma in Physical Training had been employed to train the volunteers but the major training was imparted by an Instructor-in-Charge, 3 Head Instructors and 1 Second Instructor who had been on deputation from the State Government. The annual expenditure on staff, allowances to volunteers and their training, equipment, accommodation, stationary, etc. is about Rs. 2.80 lakhs.

Local Committees called Samudaya Samities/Advisory Community Committees, covering about 2,000 - 3,000 population are formed in the areas, and their recommendation go to a Baste Improvement Committee of the Town Administration Division of the Company.

The urban community development scheme, formulated by the Ministry of Health, envisaged the appointment of a Director of Urban Community Development at the State level to guide, supervise and direct the programme and a Project Officer and eight community organisers - 4 males and 4 females, at the project level, to cover a population of 50,000 to 60,000 divided into 8 Mohalla Units of about 6,000 each; allowing reasonable flexibility as regards coverage keeping in view the local conditions and the compactness of the areas selected. It could also be possible to divide the project in four areas

e) Urban community development scheme initiated by the Ministry of health

covered by a team of male and female worker. For additional projects in the same city there can be a Deputy Project Officer.

Besides there is a provision of Rs. 4,800/- in the scheme for engaging voluntary workers, craft-teachers and for other recreational activities at the rate of Rs. 50/- per month for each Mohalla Unit. It was pointed out that as the programme develops, it may be possible to take up more projects covering similar population but it may not be necessary to recruit another Project Officer and 8 community organisers in the same proportion. The total budget for each project including some secretarial staff and contingencies comes to about 48,000/- per annum from apart Rs. 15,000 for local activities subject to matching contribution from the people.

It may be noted that the staffing pattern of the Delhi and Ahmedabad projects managed by the respective corporations with assistance from the Ford Foundation was more elaborate. Initially a Community Organisers was expected to cover about 250 families in Delhi. A criticism of the Community Development Projects has been that there is too much expenditure on staff and the municipal bodies cannot afford to meet the heavy cost of Community Development Projects. The projects of the Health Ministry, therefore, provided for a much wider coverage of about 3000 families by a team of a male and a female Community Organiser. Even this allocation was considered excessive by some

of the State Governments and there have been attempts to cover a population of 50,000 with only four Community Organisers as in Aurangabad. They have also used the funds available for honorarium etc. to engage eight voluntary organisers to assist the Community organisers - two males and two females, but they are covering a population of only 33,000. The State Government was asked to appoint more Community Organisers and to cover the requisite population of 50,000. In U.P. also the number of Community Organisers is smaller and they are covering half the population with practically half the strength. Unless a total of 50,000 is covered by these projects, the overhead expenditure will be higher. There are still a few projects, where inspite of the full complement of staff the coverag is low and it is necessary that it should be made of.

In West Bengal, there is a different staffing pattern which has been agreed on an experimental basis. In the two projects which have been allotted to West Bengal one at Tollygunge in Calcutta and the other at Salkia in Howrah, there is a team of 10 specialists in each of the two projects covering about a lakh of population in each case. The team comprises 2 Social Education Organisers - 1 male and 1 female, 2 Public Relations Officers, 2 Extension Educators (Health) - 1 male and 1 female, 1 Inspector Cooperative Societies, 1 Extension Officer (Industries) and 2 part-time Extension Educators (Family Planning) - one male and one female. The part-time Educators work for three days in a week. It had also

been agreed that the specialists would be working primarily as community organisers, although they have been drawn from the related government departments.

The following qualifications were laid down for Community Organisers and Project Officers:-

A. Community Organisers:

(i) He should be a graduate with two years experience in a paid capacity in any field of social welfare, social education or community development in a Government Department or local body or in a recognised programme carried out by voluntary organisations.

(ii) Diploma or degree in social work or training in social education or extension work in any of the Institutes set up by the Government or with Government assistance will be considered to be an additional qualification.

(iii) The minimum age limit should be 24 years to ensure certain amount of maturity in the candidate.

B. Project Officer:

The candidate should possess the same qualifications as for community organisers but should have three years' experience of active social work in a supervisory position. In due course, the project officers should be promoted from community organisers.

The staff could be drawn from among the existing Government servants with requisite qualifications or they could be recruited from outside. In U.P. and Maharashtra, the Project Officers and the Community Organisers have almost all been drawn from the Rural Community Development Programme and most of them had been working as Block Development Officers. In some of the other States, staff has been selected from the various departments including the administrative departments so that not all of them satisfy the requisite qualifications. In some

of the States such as Punjab, Manipur, Tripura, the candidates were selected by inviting applications. There also the qualifications have not been adhered to in all cases. There are two different opinions about the suitability of staff that may be drawn from outside having proper training in social work and those that may be drawn from the existing government departments. It has not yet been possible to arrive at a definite conclusion on the basis of the performance of the existing staff. Nevertheless it appears that the Project Officers and Community Organisers with administrative background and experience are more anxious for physical results rather than the organisational and educational aspects directed towards changing people's attitudes and motivations.

The scheme provides for the appointment of a Director in the very beginning so that he could actively supervise and associate himself with the project. No State Government has appointed such a Director so far. The West Bengal Government designated the Director of Social Welfare as the Director of Urban Community Development. In Gujarat, the projects are under the administrative charge of the Director of Municipalities and the Director of Social Welfare acts as the technical adviser. In Punjab and Rajasthan, the Director of Local Bodies are looking after the programme. In other States, the Secretary of the Local Self Government Department is in administrative charge of the projects. However, the matter is being

persued with the State Governments for appointment of a Director of Urban Community Development at the earliest.

Another aspect of the staff position in different projects has been that a number of Community Organisers have since resigned or in the case of Government servants transferred to other posts. Vacancies have not been filled up. In the case of Rajasthan, Ajmer, even the Project Officer had been transferred within six months of his taking up his duties with the Project and the charge of the post of the Project Officer has been given to the Municipal Commissioner (executive officer) of the municipality. There is need for careful selection of staff and for keeping them in position for adequate periods considering the pilot nature of these projects. Moreover, it is necessary that the staff, before taking up their duties should undergo a short training course so that they are suitably oriented to the objectives of the programme and methods of work. The State Governments have been slow in selecting candidates for filling up vacancies.

Administrative Agency

It has been the general experience of projects run under Schemes of the Central Social Welfare Board and the Public Cooperation Division of the Planning Commission that the municipal authorities were not helpful and cooperative in promoting the programme and yet most of the local problems of the urban community related to the working of municipal departments. On the other hand it has been felt that there is need for orienting the municipal staff to community attitudes.

for ensuring greater participation of the citizens in tackling local problems. The Scheme sponsored by the Government of India, therefore, laid down that the Corporation/Municipality should be the administrative agency in the implementation of the UCD programme. It was pointed out that the concerned local body should be fully involved - organically and functionally. A Project Advisory Committee is required to be formed under the Chairmanship of the Mayor/President of the municipality with some councillors, local leaders, and social workers with the Executive Officer as its Secretary to ensure full cooperation and coordination of the municipal departments in the project. Out of the 14 projects which have been operating for about a year, Delhi, Ajmer, Bhavnagar and Rajkot projects are under the direct administrative control of the municipalities/corporations. Imhal, Agartala, Panjim, Aurangabad, Ludhiana, Jhansi and Kanpur projects are under the administrative control of the State Governments but the municipalities/corporations are the implementing agencies of the projects. In the case of West Bengal, Tollygunge and Salkia projects have been functioning directly under the State Government. The Project Advisory Committees have been formed in Bhavnagar, Aurangabad, Panjim, Ajmer, Imhal, Tollygunge, Salkia and Ludhiana projects with the Mayors/Presidents as the Chairmen in most of the cases. In others, the Committees are in the process of formation. In many cases the Mayors/Presidents have shown personal interest in the programme. These Project Committees have however, failed to fulfil the original intentions. This Committee was required to be broad-based to mobilise the

cooperation of academic and Social welfare agencies as well as the association of leading citizens. The Scheme also provided for the active association of voluntary agencies in implementing the programme. However, the project officers have been working with local voluntary organisations and the West Bengal patterns works through local people's organisations.

The Jamshedpur experiment is in a class by itself. Here the project is run by Tata Iron & Steel Company which is also the town authority by virtue of its proprietary position over all lands within the limits of the city. On the other hand, it is significant - that the vast majority of people covered by the project are non-employees. As pointed out above, the local people are actively associated through Community Councils in carrying out local programmes. There is hardly any other private or public undertaking responsible for a town of such a size having such a large percentage of non-employees living within the Company's jurisdiction.

The Baroda experiment of a Citizens' Committee is a pointer of the possibility of urban community development work being organised by an independent body of citizens which can approach the municipal and government departments for appropriate assistance in developing the various programmes.

There have also been proposals for the UCD programme of the Ministry of Health and Family Planning, being organised by a voluntary organisation in close cooperation with the municipal authority or some

of the institutes of social work taking up action research projects with active participation of the municipal agencies.

6. Co-ordinating Departmental Programmes:

One of the tasks of the project staff is to act as a link between the local people and the different municipal and government agencies for channelising such assistance as may be available under the different schemes of the Government for the benefit of the urban community. The main emphasis of the programme is organising the people to develop initiative for community action with such technical, administrative and financial assistance that is available from the Government. It has been seen that the different departments of the Government, such as, Health, Education, Housing, Social Welfare and the like have different schemes carried out through different agencies. The project staff is to play the role of a catalyst both for the community as for the departments. There is a danger of the urban community development organisation being looked upon as a rival department, if the project staff were itself to perform the functions that belong to different departments. The essential role of the U.C.D. staff is to organise the community and not to provide the facilities and carry out the programme to meet the requirements. It is to prepare the community for acting in its own interest and establishing contacts that may help them to undertake programmes for their own improvement. The Community Organisers therefore, can be of assistance to the different departments in promoting their programmes and bringing them in

contact with the field in a special way. There is, therefore, a need of co-ordinated approach on the part of the Government so that the departmental activities are brought to bear upon the needs of the community. The Maharashtra Government have issued a circular to all departments bringing to their notice the organisation of urban community development projects and to see how this machinery can be utilised for promotion of their programmes. The departments of the Government of West Bengal are using the project organisation for establishing contacts with the field. In Gujarat, apart from the Project Advisory Committees in the different towns, there is a State Advisory Committee in U.C.D. bringing together certain departments for watching the progress of the U.C.D. projects. It may be desirable to have such a committee at the State level which may seek to coordinate the various urban programmes of the Government.

Budget & Finance

The scheme envisaged the pattern of assistance which provided that the Government of India will meet one half of the expenditure and the other half will be met jointly by the State Governments/ participating local bodies, subject to a ceiling of Rs. 55,000/- (including the salary of a full time Director) for the first project and Rs. 55,000/- for the subsequent projects, that may be located in the same State. The expenditure on the pilot projects, set up in the Union Territories is met entirely by the Central Government. It was suggested that the State Governments should take advance action in this

regard and make necessary budgetary provision so that the programme is conceived and executed without any financial handicaps right from the very beginning. But it appears that the Project had run into difficulties as many of the State Governments and Union Territories had not completed the necessary budgetary formalities for timely release of funds, as in Rajasthan, Uttar Pradesh, Delhi and Manipur. In Punjab, the project funds have not been released due to an in-appropriate Head of Account. In a number of projects the necessary ministerial staff has not been provided. The budget pattern may have some deficiencies but experience is lacking almost the way in which it can be improved.

Matching Grants

The scheme has allocated a sum of Rs. 15,000/- for local programmes on the basis of a matching contribution from the people. This sum is to be utilised for those local activities which are not normally covered by the municipal and departmental budget. The expenditure on these activities is to be shared equally by the Central Government and the State Governments/participating local bodies. The basic idea behind this provision was to keep the programme as inexpensive as possible to ensure wider coverage and secondly to mobilise and enlist people's participation and support to the UCD programme. The matching grants are to be utilised fully as an index of people's participation. The grants, as envisaged could not be utilised in most of the projects due to administrative and procedural reasons. In

In Ludhiana, the sum of Rs. 15,000/- had been provided in the current year's budget, but the same could not be utilised pending the authority to draw the amount by the Treasury Officer, Ludhiana. Agartala Project failed to utilise this amount for want of budget provision. The rules for sanctioning matching grants are being finalised for Rajkot Project. The matching grants had not been made available for Tollygunge in Calcutta and Salkia in Howrah in West Bengal. In Bhavnagar, an upper limit of Rs. 200/- was fixed for each Vikas Mandal for local programmes. The details of its utilisation are awaited. The details of other projects regarding the utilisation of matching grants are yet to come.

It is also being contended that it is not possible to obtain peoples' contribution as they are generally indigent and poor. There is a plea of the people's contribution being met by the municipal body. In Aurangabad the Municipality has taken keen interest and have sanctioned considerable funds for organising local activities. The local people there strongly opposed any local contributions. On the hand it had been pointed out that the Mohalla Samitis can build up their own equipment for community activities with 50% contribution, which is also a test of the acceptability of the programme by the Community.

Mohalla Committees and Community Councils

Any attempt to organise the Community must involve some form of Mohalla and neighbourhood councils but a question has been raised whether such councils should be territorial or should be

organised round some activity. There is also the question whether the Project Staff should at the very short promote such organisations or let the people take the initiative, when the need for the same is appreciated so that such samitis or mandals are problem oriented rather than mere organisations for the sake of having one. The Project Officers and Community Organisers were influenced by the setting in which they received their training and the pattern of field organisation has varied accordingly. The Baroda approach discouraged a direct immediate approach for organisation such local councils - while the Delhi and Ahmedabad patterns have relied heavily on Vikas sabhas and Samitis for initiating the programme. The pattern varies for project to project but mahaila samitis is a common feature and in some projects youth mandals are being organised with good effect.

In West Bengal, as mentioned above the technique is to work through the existing voluntary cultural, social and welfare organisations of the local people instead of establishing family to family contacts. This has worked well in Tollygunge, which has a good number of public spirited organisations but in Salkia, where the population is more heterogenous and mostly working class, this approach has not been found to be as effective. On the other hand in one of the projects, the Community Organisers found it difficult to form a local people's council as an existing tenant's association was not prepared to entertain a rival body. There appears to be no harm in adopting such an existing body for local activities. In a number

of Lok Karya Kshetra run by Bharat Sewak Samaj, particularly in Bombay, it was found that the existing organisations were successfully utilised not only for promoting the programme but also to giving a fillip to the activities and thus strengthening them.

SOME LOCAL PROBLEMS OF URBAN TAXES

by

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SOME LEGAL PROBLEMS OF URBAN TAXES

Dr. S.N. Jain*

I. INTRODUCTION

The government closest to the urban community is the municipal committee or the corporation. The connection between an individual and a municipality is more intimate, more direct and more immediate than in case of either the State or the Central Government. The existence of this link stems from the fact that it is the municipality which provides facilities, like water, electricity, city transportation, city roads, drainage, making the existence of a city dweller possible and convenient. It is again in case of the municipality that the individual has demonstrable evidence of the services rendered in return for the taxes paid by him. This aspect has an important bearing on taxation by a municipality; it could levy taxes only on those sources for which it could demonstrate that it is providing services or benefits in return. If this element of "return" is lacking, there would be protests from the local community, and the municipality being constituted of the local representatives would not be in a position for long to resist local pressure in repealing such taxes. The various services to be provided by a municipality for the benefit of the urban community cast a heavy responsibility on it. After independence this responsibility has tremendously increased. Firstly, the urban population has grown at a faster rate than the rural population. Thus whereas in 1941 the total percentage

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of rural and urban population was 85.97 and 14.03, this ratio in 1961 was 82.63 and 17.93 respectively, (the urban population increasing from 44.70 million to 78.84 million).¹ This rapid growth of urban population has created various social and economic problems. "Unemployment in cities is high especially of the educated persons... Housing, water supply and sanitation services are very much deficient in Indian cities and the rural migrants very often settle themselves in plethora of slums where living conditions are very much worse than in villages."² Secondly, after independence the state is committed to improve the welfare of the people. Urban Development is a part of the overall economic planning process in the country. If urban development is neglected beyond a limit it might adversely affect social stability which in turn would impede the economic development itself. The Third Five-Year Plan states that "at the local level municipal administration alone can undertake satisfactorily the task of providing the services needed for development in urban areas, expansion of housing and improvement of living conditions."³ The plan also emphasizes that "for the solution

1. Figures taken from the Report of the Committee of Ministers constituted by the Central Council of Local Self Government on Augmentation of Financial Resources of Urban Local Bodies at p.23 (1965).

2. Ibid. It is estimated that 50% of the urban areas lack protected water supply; over 70% of the urban population is yet to be provided with sewerage facilities; 44% of the urban population lives in one room or less; and 21% of the households have a floor area of less than 50 sq.ft. The magnitude of the problem will be thus obvious from these figures.

3. The Third Five-Year Plan at 693.

of the housing problem for the bulk of the population and for the elimination of slums and other evils, it is essential that certain minimum standards of residential and office accommodation and other services are set."⁴ Thirdly, after independence the local authorities have been given a much greater responsibility in the matter of providing primary education which was by and large the responsibility of the state governments before.⁵ In the year 1960-61 the expenditure of municipalities on this item was 15% of their total expenditure.

It is obvious, to provide facilities and services mentioned above and to discharge various other responsibilities, the local authorities need finances. These finances of the urban local bodies come from different sources. These sources can be classified into the following four major heads: (1) Taxes (including rates and services taxes, such as, water, lighting, drainage, scavenging, etc.): (2) non-tax revenue from fees, fines, rents, etc., and also from remunerative enterprises like city transportation and electricity, etc. (3) grants-in-aid; and (4) loans.

The total ordinary income of all urban local bodies during the year 1960-61 was Rs.120 crores. Taxes constituted the most important source of revenue, the percentage being 66%. This percentage also included the receipts from taxes

4. Ibid.

5. See S.N. Mukherji, Administration of Education in India, 110 (1962).

6. The figures have been taken from the Report, supra note

which were shared by the local authorities with the state governments. Shared taxes are, however, only few. They are the entertainment tax in Andhra Pradesh, Kerala, Madras and Mysore, and the motor vehicles tax in some States.

Income from non-tax revenue and grants-in-aid was 21% and 13%⁶ respectively. Grants-in-aid are received not only from the State Government but also from the Central Government.

Thus the Central Government gives assistance for centrally sponsored schemes for slum clearance and improvement. All local bodies which are implementing the scheme get 37½%

grant and the same percentage as loan. The remaining 25%

of the cost of the scheme is to be borne either by the State Government or the local authority concerned.

Some Legal Problems of Urban Taxes

Loan receipts of the urban local bodies for the year 1961-62 were about 26 crores.⁷

The source of loan for municipalities is mainly the State Government. The Central Government, however, provides loans to State Governments for re-lending to the urban local bodies for water supply and drainage schemes, and for various urban housing slum clearance and improvement schemes.⁸

6. The figures have been taken from the Report, supra
note at 140.

7. Finances of Local Authorities, Reserve Bank Bulletin
686(1965).

8. Thus the Third Five-Year Plan provided an outlay of Rs.46 crores inclusive of the amount contributed by the Life Insurance Corporation of India for land acquisition and development. The plan also made a provision of Rs.29 crores for slum-clearance and improvement.

This paper is concerned only with taxes levied and collected by the urban local authorities. These taxes may be characterised as urban taxes because they are levied for providing services primarily to the urban community. The figures mentioned above will indicate that receipts from taxes play a major role in the finances of local authorities. This has to be since, as the Taxation Enquiry Commission has stated, "a sound system of local finance should as a rule rest on a sound foundation of local taxation."⁹ Receipts from taxes should be enough to discharge its basic responsibilities. Not much reliance ought to be placed on other sources of finance like the grants-in-aid. If a local authority knows that for its day-to-day needs it can approach the State Government for grants-in-aid it will generate in it a sense of inertia, inefficiency, waste in expenditure, and financial irresponsibility. Already municipalities in India are notorious for their inefficiency and corruption. A high degree of civic consciousness is lacking amongst the members of the municipalities to consider the city problems objectively and in the larger interests of the community. This lack of civic sense is responsible for reluctance amongst the representatives of the people in the various municipalities to impose additional taxes on themselves.¹⁰ The position obtaining in the local bodies can be described in no better terms than the following sentence of Mr. Nayak, ex-commissioner

9. Report at 9 (1953-54).

10. See Supra note 1 at 38 and 55.

of the Delhi Municipal Corporation: "With the crystallization of political parties during recent years, the political cleavage that has become common in local governments threatens to make the administration...by a council degenerate into a 'spoils system'".¹¹ If the grants-in-aid are forthcoming with ease, it would merely encourage the above tendency. Further, the dependence of a local authority on the grants-in-aid by the State Government poses a serious threat to its autonomy which would ultimately affect its efficiency as the buck can always be passed on to the latter. Therefore it is essential to develop a sound system of taxation by a local authority which would give it enough revenue for its basic needs.

II. STATE-LOCAL AUTHORITY TAX RELATIONSHIP

The subject of local government is assigned to the states under Entry 5, list II, Seventh Schedule of the Constitution. But the Constitution does not demarcate their taxing powers. Only the taxing powers of the states are enumerated and it is left to the states to assign such taxing powers to the local authority as they deem necessary either exclusively or jointly with them. This raises certain questions. What are the taxing powers assigned to local authorities? What should be the criteria in the matter of delegation of tax powers by the State Government to local bodies? What should be done to avoid duplication of tax levies or to co-ordinate the taxing powers of the state and local

11. Nayak, "The Challenge of Urban Growth to Indian Local Government" in India's Urban Future, edited by Turner, at 361, 363 (1962).

authorities?

As a historical matter the Government of India Act, 1919 had reserved the following taxes for the local authorities: (i) toll; (ii) tax on land and buildings; (iii) tax on vehicles and boats; (iv) tax on animals; (v) tax on menials and domestic servants; (vi) octroi; (vii) terminal tax on goods; (viii) (tax on trades, professions and callings; (ix) tax on private markets; (x) taxes imposed for services rendered, e.g., for water, lighting scavenging, drainage, etc. Even though the Constitution of India does not contain any reservation of taxes for local bodies, yet more or less the same taxing powers (as under the Government of India Act, 1919) have been given to the local authorities by delegation by the State Governments. The lack of reservation has, however, resulted in some encroachment on the legitimate powers of the local authorities. Thus in Punjab, Madhya Pradesh, Maharashtra, and Gujarat taxes on urban property are levied by the State Government along with the taxes imposed by local authorities. In Madhya Pradesh and Assam, taxes on professions and callings are collected by the respective State Governments.

The major taxes levied by the urban local bodies all over the country are: (i) taxes on property including service taxes and rates; (ii) octroi; (iii) taxes on animals and vehicles (other than motor vehicles); (iv) terminal and toll tax; and (v) taxes on trades and callings. The receipts in percentage from these five major taxes in 1960-61 were, 37%, 43.2%, 1.8%, 5.5%, and 2.4% respectively. Of course, there are

certain major state-wise variations as far as the octroi and property taxes are concerned. States like Andhra Pradesh, Assam, Bihar, Kerala, Madras, Orissa, West Bengal, and Delhi mainly depend on property taxes (the percentage of revenue from this source varying from 71% in Delhi to 92% in Assam). They do not derive any income from octroi. Other States depend on both property taxes and octroi.

The percentage of receipts from miscellaneous or minor taxes was 9.5. These minor taxes include such taxes as tax on advertisements other than advertisements in newspapers, duty on transfer of properties, betterment taxes, education cess and theatre tax, etc.

Apart from the taxes assigned to the local authorities, a few taxes are shared by the local authorities with the State Governments. Thus, as stated earlier, in some states the entertainment tax is levied and collected by the State Government but the proceeds are distributed to local authorities.

The factors determining the taxing powers to be assigned to local bodies could be laid down as under. Firstly, local authorities should be allowed to levy only such taxes as have some relationship with the facilities provided. In other words only those items should be subject to tax for which the local authority has the responsibility of providing some benefit. It follows that taxes which have an extra-territorial operation may not be assigned to the local authority. Secondly, the total amount of tax should not be disproportionately larger to the facility provided.

Thirdly, taxes are not merely means of collecting revenue but also of attaining certain social and economic objectives to be attained. Where this is to be achieved through taxation in a field where local authorities are assigned a definite role, the taxing power ought to be in their hands. Fourthly, the need of the local authority is also a determinating factor in the matter of assignment of taxing powers to them.

The first factor is the key one. If there is a complete lack of relationship between the tax and the tasks assigned to the local authority, then it should not enjoy the relevant taxing power. Of course, it does not mean that even where this relationship exists, the local authority should have the power. In determining this other factors would come into play. For instance, if the receipts from the tax are disproportionately large to the amount spent on the facility, it may be better to leave the power with the State Government. Further, the tax in question should not create the problem of multiple levy and of coordination of the various taxing authorities situated in several local jurisdictions.

The first test may be illustrated with reference to sales tax and vehicle tax (including tax to motor vehicles). Sales tax has both territorial and extra-territorial operation since a sale consists of various elements which all may or may not take place within the jurisdiction of the local authority. If sales tax is placed in the hands of the local authority then it will create the same complicated problems which it is creating in the area of Centre-State

relationship necessitating its regulation through Art. 286 of the Constitution, the Central Sales Tax Act, and other means. Again since the maintenance and construction of the state highways is primarily the responsibility of the State Government, it is this instrumentality which is to be given the power to levy tax on motor vehicles, the main users of the state highways. Since other vehicles will be primarily using the city roads, it follows that the local authorities should have the power to tax them. Of course, the motor vehicles will also be using the city roads, but in the interest of avoidance of multiple levies it is better that they are not taxed by the local authority.

The working of the second test could be illustrated with reference to the entertainment tax. Local authorities are levying only the theatre tax and the measure of the tax is the rate specified per show at the specified amount. But the ordinary entertainment tax, i.e. tax on the sale of each admission ticket, is levied by the State Government. The policy behind this appears to be that the collection through the tax is much large in comparison with the services provided by the municipality to the theatres and even the substantial amount of the tax comes only from the bigger cities. It is therefore better that in case of this tax, it is collected by the State Government and then distributed to the local authority so that smaller towns may also get some share of the proceeds out of this course.

Imposition of the betterment levy by local authorities to tax unearned increment in land values is a good example of the application of the third principle.

Above all even when a tax to be levied by the local authority satisfies other conditions, it is the overall needs of the authority which would determine its actual levy. The needs of the authority may be so overwhelming that a tax may have to be levied even if there is a slight or a remote connection between the tax and facility for which it is levied.

In the federal field of centre-state financial relationship there is a great deal of tax sharing. But in case of state-local authority tax relationship this is largely absent. As stated earlier in some states the entertainment tax is levied and collected by the State Governments but is distributed amongst the local authorities. The Committee of Ministers in its report "Augmentation of Financial Resources of Urban Local Bodies" was also of the view that the proceeds of entertainment tax should be distributed to local bodies since it had a local basis.¹² The Committee was also of the opinion that 25% of the proceeds of the motor vehicles tax should be earmarked for local bodies, since the tax was a local tax originally in several states and the local authorities do maintain its roads for the benefit of the automobiles also. Tax-sharing as a source of revenue for the states has, however, to be kept a minimum. This is because the tax-sharing creates the complicated problems of determining the principle

12. Supra note 1 at 54.

on which the proceeds are to be distributed among the local authorities and also of the percentage which should be retained by the state governments. If the need of a local authority is to be made the decisive factor, it might generate a sense of inefficiency in it as is the position in case of grants-in-aid. Tax-sharing, therefore, ought to be resorted to only where other policy considerations prevail over the factors requiring assignment of the taxing power to local bodies.

Some Legal Problems of Urban Taxes

Generally speaking all the taxes levied by the local authority at present are suitable for being assigned to them. It is not necessary here to examine each existing tax in this context. The two taxes which have been proposed for levy by the local authority and which require consideration here are: (1) betterment levy, and (2) unearned increment tax on land. Betterment levy is a tax levied "on the increase in urban land value caused by the execution of town planning or town improvement schemes." Not many local authorities are levying this tax. The only state in which this has been tried so far is Madras. But there also the experiment has not been found to be successful. There are several difficulties in the implementation of the tax. Firstly, it is difficult to determine the extent of the increase in value of land owing to the facilities provided by the local authority. Secondly, even if the expenditure incurred on the development

scheme is to be the criterion for levy of the tax, it is difficult to apportion the amount equitably on the land owners and other users of the facilities, such as roads and parks, etc., provided by the scheme. In view of these difficulties, it is suggested that instead of the betterment levy, the local authorities may consider the imposition of "unearned increment tax" on land which is a tax on the increase in the value of land due to any reason, other than the improvements made on the land by the owner. The latter tax is more broad based than the former and also does not have its disadvantages. The objective of the Third Plan with reference to housing is "the control of urban land values through public acquisition of land and appropriate fiscal policies." This objective can be partially achieved through the tax in question by mopping up unearned profits made by a landowner arising out of speculation in land or other reasons. This problem was considered by the Committee of Ministers which observed: "In all advanced countries a system of progressive taxation for mopping up such unearned increments in property values is already in existence. For example in U.S.A., an annual tax of one thousand dollars is levied on every acre of land valued at 50,000 dollars. The owner has to pay another thousand dollars per year if the land value doubles i.e., about 2 per cent of the increase in capital value. In U.K., increment value duty on site value was collected as early as in 1910."¹³ The committee accordingly

13. "Supra note 1 at 73.

approved the following suggestion that "the best way to make an impact on rising urban land prices...is to levy an annual tax on such unearned increments.....for determining the annual tax liability, periodical assessment of urban land and properties will have to be undertaken and the tax liability determined for the period intervening between two assessments."¹⁴

In recent years, as seen above, there have been some encroachments by the State Governments on what is considered to be legitimate sources of revenue of the local authorities. Even though these encroachments may not be to the extent of exclusion of local authorities from a particular source of revenue, yet it does affect their flexibility in imposing taxes and ultimately it may have an impact on their finances. Demands have been made in the past in certain quarters to reserve certain taxing powers for the local authorities in the Constitution.¹⁵

Is a constitutional amendment necessary? It is suggested here that the question of reservation of certain taxes should be solved through a convention and recourse to the amendment of the Constitution is not desirable and necessary. The suggestion to amend the Constitution does not seem to be sound because of several reasons. Firstly, reservation of taxes in the Constitution without providing for the composition and the constitution of the local bodies and without defining their powers and duties does not seem to be proper. If all

14. Ibid.

15. See, for instance Taxation Enquiry Commission Report, Vol.III, p.358 (1953-54).

these matters are left in the hands of the States, the situation would not be better than what it is at present. And it would be too much to provide for all these matters in the Constitution of the country. Secondly, reservation of taxes may in fact hamper to a certain extent the development of local bodies. Even if certain taxes are reserved for local authorities, these may not give them enough finances for discharging their duties, and the State Government may not give them financial assistance as readily as it may do now, if reservation of taxing powers of the local authority is made in the Constitution. Thirdly, local authorities are of various kinds, such as, a municipal corporation, a municipal committee, a district board, a village panchayat. It may not be desirable to give the same taxing powers to local authorities belonging to different categories. In accordance with their constitution, powers and area of operation this may have to be different. In determining the taxing powers of each category, suitability of the tax and capacity of the local body to levy and administer adequately and equitably are the key factors. For instance, if village panchayats are given the power to impose terminal taxes on goods carried on by road, there may be so many multiple levies on goods passing through an area that it may lead to increase in the costs of the goods beyond the prohibited limit. Again village panchayats do not have adequate resources to employ competent and enough personnel to assess different taxes. They are to be given only such taxes as are simple to assess and cheap to collect.¹⁶ Fourthly,

16. See Ibid., at 370.

as is well-known the quality of local leadership particularly in the rural areas is not high and if local bodies connected with such leadership are given taxing powers indiscriminately, it may lead to waste and misuse of funds. Fifthly, even though due to lack of reservations there may be some encroachments on the taxing powers of local authorities, yet this operates the other way also. Even if certain taxes are reserved they would have to be the minimum possible, which would tend to give rigidity to the local finances. In the absence of reservation the matter of taxing power of a local authority may be settled in accordance with the needs of the authority through approach, negotiations, mutual adjustment, and even through local pressure.

III. The Problem of Delegation

The local authority gets its power to levy different taxes by delegation by a statute enacted by the state legislature. Statutes confer a very broad power of taxation on local bodies. A statute may specify the taxes to be levied, but no maximum or minimum rates need be prescribed. Thus the Delhi Municipal Corporation Act, 1957, apart from specifying the taxes which shall be levied by the Corporation, also gives a discretion to the Corporation to levy other taxes specified in the statute by passing a resolution to that effect and obtaining the consent of the Central Government. No maximum or minimum is prescribed in the case of latter taxes.¹⁷ It is usual in case of state statutes to confer a blanket power

17. See S. 113.

on the local authority to impose all such taxes as may be imposed by the state legislature, besides specifying certain taxes.

How far does such broad delegation of taxing power violate the non-delegation doctrine? The approach of the judiciary on the general question of delegation of legislative power is that essential legislative power cannot be delegated and that the statute should lay down the policy and the legal principles for guidance of the executive. In practice the courts have, however, applied this principle in a liberal manner and have upheld broad delegations of power. To illustrate this with reference to the problem in hand, in *Bangalore W.C. and S. Mills v. Bangalore Corporation*,¹⁸ the Supreme Court held valid a statute conferring power on a municipal corporation to levy octroi duty on commodities other than those specified in the statute. Again in *Western India Theatres Ltd. v. Municipal Corporation*,¹⁹ a statute which conferred general power on the corporation to levy those taxes which could be levied by the provincial legislature was found to be valid by the Supreme Court for only those taxes could be levied by the corporation which were necessary for implementing the purposes specified in the statute.

It is only in a few cases that the judiciary has struck down the law on account of excessive delegation. But it remains uncertain when this line has been crossed. It is

18. A.I.R. 1962 S.C. 1263.

19. A.I.R. 1959 S.C. 586.

difficult to rationalise the cases on this side of the fence; largely it has been more a matter of feeling of a judge about a particular statute than that of logic.²⁰ It seems, as a general rule, it would be a case of excessive delegation where the statute does not lay down the maximum rate within which the delegate is required to operate. Giving a complete freedom to the delegate to fix such rates of tax as he deems fit is quite a drastic power and is an extreme example of delegation. It amounts to saying "here is a tax, levy it as you like and the way you like." This is leaving too much power with the executive. Delegation of such a broad power can be justified only on the showing of particular circumstance and the existence of adequate safeguards. In a recent case, *Devi Dass Gopal Krishan v. State of Punjab*,²¹ Supreme Court regarded as bad on account of excessive delegation a sales tax statute which had conferred power on the executive to fix such rates as it deemed fit without specifying the maximum to be levied, for, in the opinion of the court, such a broad delegation without there being any clear guidelines would be to "destroy the doctrine of excessive delegation itself." In *Corporation of Calcutta v. Liberty Cinema*,²² Supreme Court, however, upheld, by a three to two decision, a statutory provision conferring power on the corporation to levy a licence fee on cinemas at such rates as may be provided from time to time by a resolution of the corporation. The legislative policy of

20. See for instance, *Hamdard Dawakhana v. Union of India*, A.I.R. 1960 S.C. 554.

21. A.I.R. 1967 S.C. 1895.

22. A.I.R. 1965 S.C. 1107.

"imposing taxes at such rates by the corporation as may be necessary to defray the costs of discharging its duties" which the court impliedly read into the statute was held to be on sufficient guidance. What is, however, more important is that the majority emphasised that "In the case of a self-governing body with taxing powers, a large amount of flexibility in the guidance to be provided for the exercise of that power must exist...There are epidemics, influx of refugees, labour strikes, new amenities to be provided for, such as hospitals, schools... which make it necessary for a colossal municipal corporation like that of Calcutta to have a large amount of flexibility in its taxing powers."²³ Whether a particular case is a case of "excessive delegation" cannot be solved by any doctrinal approach but has to be decided with reference to such factors as whether it was possible to provide standards without undue sacrifice of administrative efficiency (or in other words whether it was reasonably practicable to provide standards) and whether there exist some democratic safeguards against abuse of power. Local authorities are democratic institutions providing a representative government to the inhabitants of a town or a city. It is the presence of this democratic element which provides a basis for a different approach in case of delegation to local bodies from other delegations. In the United States, it may be noted, even though state courts are still strict towards the "non-delegation doctrine" yet delegation to municipalities is considered to be an exception

23. Ibid., at 1119-20.

to this. Municipalities are representatives bodies which factor makes it unlikely that the representatives of the local inhabitants would misuse the absence of any limit in the statute delegating them power to impose a tax, for imposing tax at more than a reasonable limit would invoke local protest and also, generally speaking, the liability of tax would fall on themselves. The fact of non-existence of any limit in its power to tax by a local authority has also to be judged in the light of the demands made for reservation of taxing powers for local bodies in the Constitution. Further, from the point of view of "reasonable practicability" in providing standards, a greater degree of flexibility has to be provided in case of local bodies in view of their varied and expanding needs. It is true that in India local leadership is not of a very high quality - a factor which goes against delegation of taxing powers itself to them - but since the legislature in its wisdom has decided to create them and give them taxing powers of various sorts, the fact that no maximum has been prescribed does not seem to be very much material.

It may be noted that in spite of the Liberty Cinema case the Delhi High Court seems to have decided, as late as in October 1967, that the statutory provision which conferred power on the Delhi Municipal Corporation to impose certain taxes without prescribing the maximum limit was bad on account of "excessive delegation."²⁵

24. See Foster, "The Delegation of Legislative Power to Administrative Officers", 7 ILL.L.R.397,398(1913); Gellhorn and Byse, Administrative Law: Cases and Comments 128(1960).
25. As reported in H.Times dated Oct.20,1967. The Supreme Court has, however, overruled this case in D.M.C. v. Birla Cotton Sping. & Weaving Mills Ltd.(Decided by the Supreme Court

IV. PROCEDURE FOR ASSESSMENT OF PROPERTY TAXES

Property taxes constitute a very important source of revenue for the urban local bodies. It is also the most difficult tax to assess since it involves determining controversial issues. Its assessment presents the difficult problem of evolving a procedure which is fair from the point of view of the property owner and also efficient from the point of view of the local authority in producing the correct amount of revenue. About the latter aspect it may be stated that there have been persistent complaints that the tax assessment department of local bodies is not quite efficient and the local representatives are open to pressure by the property owners which have resulted in the collection of much less revenue from this source than is due.

Before going into the procedure, it is necessary to briefly know the types of property taxes and the principles for determining the measure of tax. Property taxes are of two kinds - one, general property tax, and the other, tax for the specific services provided. Thus S.114 of the Delhi Municipal Corporation Act, 1957 authorizes the Corporation to levy a general tax of 10% to 20% of rateable value on lands and buildings, and the services taxes consisting of water tax, scavenging tax and fire tax at such rates as it may deem reasonable. In most cases the service taxes can only be levied in respect of lands and buildings to which necessary facilities have been provided.²⁶ The rateable value of a land

26. See S.115.

or a building is the "annual rent at which such land or building might reasonably be expected to let from year to year." As a matter of practice if the standard rent of a building has been fixed under a rent control statute, it is taken to be the reasonable rent of the building, though the statutes generally are silent on this point.²⁷

Some statutes provide that plant and machinery shall be treated as forming part of the building for determining the rateable value thereof.²⁸ Both the Local Finance Enquiry Committee, 1949,²⁹ and the Committee of Ministers, 1963, were of the view that the rateable value of the plant and machinery should be taken into account in determining the rateable value of a factory building, as in England, since by "excluding machinery and plant the industries in India are not contributing adequately to the cost of services which are generally provided by a local body."³⁰ There is, however, a constitutional bar in doing this, since as the Supreme Court has held in *New Manek Chowk Spg. and Wvg. Mills Co. Ltd. v. Municipal Corporation of the City of Ahmedabad*,³¹ there is no

27. See the Report of the Committee of Ministers, supra note 1 at 39. However, the Delhi Municipal Corporation Act, 1957 expressly provides that "in respect of any land or building the standard rent of which has been fixed under the Delhi and Ajmer Rent Control Act, 1952 the rateable value thereof shall not exceed the annual amount of the standard rent so fixed."

28. S.116(3).

29. Report at 82.

30. Report of the Committee of Ministers at 46.

31. A.I.R. 1967 S.C. 1801.

legislative entry in the Constitution to give power to the state legislature to tax plant and machinery and this does not come under entry 49 of List II of the Seventh Schedule which reads as "Taxes on land and buildings."

There does not seem to be much problem in fixing the reasonable rent of residential buildings. If there is a tenant in part of the building, the reasonable rent of the rest of the building can be fixed on that basis. If there is no tenant, the reasonable rent can be determined on the basis of rents prevalent in the adjoining buildings of the locality.

Determination of reasonable rents of factory buildings and cinemas, etc., which are not rented, however, presents a difficult problem. The difficulty arises because of wide variations in these buildings in the form of construction, location, age, etc., and the lack of similar buildings in the adjoining area, it is not possible with any degree of accuracy to arrive at the hypothetical rent at which these buildings could be rented. In this connection the four recognised methods of determining the rental value of the buildings to be noted are: (1) the comparative method, i.e. determining the rent by comparing the rents prevalent in other similar buildings. (2) The profit method, i.e. the profits may be taken to be indicative of the rent which a hypothetical tenant would pay for the building. This is not a very satisfactory method of valuation since in this competitive world profits depend on the efficiency of the persons

managing the concern and not on the particular building used. This may, however, be used in such monopoly business as public utility undertakings. (3) The cost of construction method, i.e. the cost incurred in constructing the building less depreciation on account of age, etc., as providing basis for fixing the annual value. (4) The floor area occupied method, i.e. by applying a certain rate to the occupied area (say Rs.5 per 100 sq.ft.)

What particular method ought to be followed will depend upon the type of building involved. A mechanical formula without taking into account the conditions of each building may not be a valid method of arriving at the valuation. In *New Manek Chowk Spg. & Wvg. Mills v. The Municipal Corporation of the City of Ahmedabad*,³² the corporation had imposed property tax on the basis of a flat rate per sq. ft. of the floor area of the factories. The Supreme Court held such an imposition as discriminatory under Art. 14 of the Constitution since the method did not take into account such factors as the locality where the building was situated, the age, quality and the nature of the building, etc., and accordingly there was no classification of the factories on a rational basis.

The above description in brief of the principles relating to valuation of property will indicate that the assessment of property taxes involves going into disputed facts about the rental value of the properties and also selection of the formula to be adopted in a particular case.

32. Ibid.

On this basis the assessment proceedings will have to be regarded as quasi-judicial necessitating fair hearing to be given to the assesseees. The actual procedure of property tax assessment followed in the Delhi Municipal Corporation, and this is more or less the procedure existing in other municipal corporations also, may be described here. The governing statute in the Delhi Municipal Corporation Act, 1957. The governing statute is the Delhi Municipal Corporation Act, 1957. Under the statute, an assessment list of all lands and buildings is to be prepared by the corporation and a public notice of its preparation is to be given by the Commissioner. A written notice is also to be served on those property owners whose property is either assessed for the first time or in whose case the assessment is proposed to be increased. Within a month, the property owners can file objections in writing. Persons making the objections are to be given an opportunity of being heard either by the Commissioner himself or by an authorised officer of the Corporation. After the objections have been disposed of, the assessment list is to be authenticated by the Commissioner or by any authorised official. A revised assessment list can be prepared every year at the discretion of the Commissioner to check evasion of tax.³³ The statute provides for an appeal against the assessment of property tax to the district judge within 30 days of authentication of the assessment list. There is also provision for reference to the High Court on questions of law.³⁴

33. S.124.

34. S.169.

In actual practice powers of the Commissioner to assess property taxes have been delegated to subordinate officials. In the New Manek Chowk case, a question was raised whether the Commissioner could delegate a quasi-judicial power, which the assessment of property tax is, to official subordinate to him. The Court refrained from saying anything on this. However, there does not seem to be any objection in the delegation as the statute expressly empowers the Commissioner to do so.³⁵

The officers to whom the power has been delegated are: the Assessor and Collector; the Deputy Assessor and Collector; and the Assistant Assessor and Collector. The provisional (or the initial) assessment list is prepared by the Assistant Assessor and Collector. This is done with the help of the Inspector who inspects the building and reports the rateable value of the buildings inspected by them. Objections are also heard by the same official, namely, the Assistant Assessor and Collector, and ordinarily, he himself arrives at the decision. Is the procedure open to objection on the ground of the bias, i.e. same official preparing the initial list and also hearing the objection? This depends on the fact whether the present procedure creates such an abnormal desire in the official's mind that it could be said that he has completely closed his mind to the issue before him. In other situations this is regarded to have taken place where the official acts both as a prosecutor and a judge,³⁶ or as a

35. See Krishnan v. Secretary, Regional Transport Authority, A.I.R. 1956 A.P. 129.

36. Darbari Ram v. State of U.P., A.I.R. 1956 All.578.

witness and a judge.³⁷ But this cannot be said of the specific situation in hand. The Assistant Assessor and Collector is merely a last clog in the machinery for preparing the initial list; actually the list is prepared by the inspectors who visit the land and buildings on site. Merely because the list has been prepared under his remote supervision it cannot be said that there would be a strong desire in his mind not to interfere even though the evidence calls for his interference. The author talked to a few Assistant Assessors and Collectors on this point. They have told him that they try to take an objective view and do not consider themselves to be bound by the initial list.

If the assessment of a case does not involve any complicated questions of fact or law, the assistant Assessor himself takes the decision. But if it does so the case may be referred to either the Deputy Assessor or the Assessor. In such cases, as the author has been told, hearing is always given by the official concerned before whom the case has come up for consideration. The hearing, however, at different stages is perfunctory, and this is a grave deficiency of the present proceedings.

Things are also not happy from the point of view of the corporation and the efficiency of tax collection. For instance, it has been stated about the Delhi Municipal Corporation that "only about 50 per cent of the property is assessed and only about 50 per cent of the tax is collected. Arrears

37. State of U.P. v. Mohd. Nooh, A.I.R. 1958 S.C.86.

amount to Rs.4 crores."³⁸ The whole defect, however, lies not in the prescribed procedures described above but in the recruitment of incompetent personnel to do the job and the general maladministration, nepotism and political opportunism existing in the corporation as a whole. Even where the deliberative wing has been separated from the executive, as in case of municipal corporations, this has been the story. Thus about the Delhi Municipal Corporation it has been said that "it has gradually reduced to a political chess-board" and that "mismanagement corruption, maladministration, nepotism and political opportunism have reached such a stage that only shock treatment can offer any cure."³⁹ Since property taxes are the major source of revenue for municipalities the following suggestion made by the Committee of Ministers (and also by the Local Enquiry Committee and the Taxation Enquiry Commission) is worth consideration:

"Even in U.K. where the local authorities are competent to vary municipal rates within the prescribed limits, the valuation of the property for purposes of assessment, is done by the Rating and Valuation Department of the Board of Inland Revenue, which is a Central Agency. The American experience has also taught us that efficiency of assessment is incompatible with local control of the assessor. We have to therefore entrust the work of assessment to a Central Valuation Agency which can discharge its duties

38. The Hindustan Times, dated December, 14, 1967, p.1.

39. As per the Report of the Lt. Governor Jha about the Delhi Municipal Corporation, ibid.

with the assurance that it will not thereby offend its own masters. Centralised assessment offers an uncomplicated and effective means of obtaining uniformly high standard of assessment through the State, by the use of professional staff following standard method and procedures under Central direction. We would therefore strongly recommend that a Central Valuation Department should be set up in each State to get the work of assessment of properties in different municipalities, done. The advantage of this method would be that even local bodies whose limited resources do not permit employment of highly paid qualified Valuers, will be able to get the services of the Valuation Department of the State Government. Once such a Valuation Department is set up, re-assessment of urban properties can be taken up systematically at regular intervals and the cases of unequal and underassessment which are very common now can be removed to a great extent."⁴⁰

V. OCTROI AND TERMINAL TAXES AS HINDRANCE TO TRADE AND COMMERCE

Octroi and terminal taxes are the most important source of revenue to municipalities, these constituting 45% of their total revenue. The Constitution of India nowhere defines the terms "octroi" and "terminal taxes"; in fact in the taxing powers assigned to the state legislature these terms do not appear at all. But octroi is understood in the sense of that tax which is imposed under entry 52 of the State list in the Constitution reading as "taxes on entry of goods into a local

40. Supra note 1 at 39.

area for consumption, use or sale therein."⁴¹

In the Union list there is an entry which speaks of terminal taxes. This entry is 89 which reads as "terminal taxes on goods or passengers, carried by railway, sea or air..." In case of the state the entry under which the terminal taxes could possibly fall is entry 56 which reads as "taxes on passengers carried by road or inland interways." Now what is meant by a terminal tax? It is on the definition of the tax that it could be decided whether it comes within entry 56. As the Supreme Court has stated in *Central India Spinning Co. v. Municipal Committee, Wardha*,⁴² a terminal means "an end.... the point at which something comes to an end."⁴³ Therefore "terminal tax on goods... is payable on goods on their journey ending within the municipal limits or commencing therefrom and not where the goods were merely in transit through the municipal limits and has their terminus elsewhere."⁴⁴ Accordingly a terminal tax in transit and are not to remain within that area. This definition of terminal taxes is different from the definition accepted by the Taxation Enquiry Commission according to which "terminal taxes can be levied also on goods

41. See The Taxation Enquiry Commission Report, Vol.III, p.401; *Punjab Flour & General Mills Co. Ltd. v. Corporation of City of Lahore*, A.I.R. 1947 F.C.14; *Burmah Shell Co. v. Belgaum Municipality*, A.I.R. 1963 S.C.906; *Central India Spinning Co. v. Municipal Committee, Wardha*, A.I.R.1958 S.C. 341.

42. Ibid.

43. Ibid., at 347.

44. Ibid., at 348.

whose destination and consumption are outside the local area."⁴⁵

The definition of terminal taxes adopted by the Taxation Enquiry Commission would clearly come within the purview of entry 56 of the State List. But what about the narrower interpretation adopted by the judiciary? In *Achalpur Municipality v. Nand Kishore*,⁴⁶ the Bombay High Court held that since the incidence of Terminal tax is on the ENTRY in, and EXIT out of, the municipal limits, it did not fall within entry 56, list II, as the incidence of the tax under the latter is tax on the carriage of goods by road or inland waterways. The result is that there is no entry in the State list under which terminal taxes could be imposed by municipalities. This aspect assumes importance in case of such municipalities, which levy terminal taxes and not octroi.

Even if it be assumed that terminal taxes could be validly levied under entry 56, the Union power to tax goods carried by railways sets a practical limitation on the power of the states to levy this tax. If terminal tax is levied on goods carried on by road and not by railways, the road transport will suffer a competitive disadvantage and no state may permit this. Because of this limitation the revenue of municipalities from terminal taxes is only 5.5% of their total tax revenue. Since Art.277 of the Constitution saves existing taxes the present terminal taxes by municipalities are those which had been imposed before the Constitution.

45. Report, Vol.III, p.403.

46. A.I.R. 1967, Bom., 413. In appeal the Supreme Court on January 5, 1968 upheld the decision of the Nagpur Bench of the Bombay High Court. See Hindustan Times, dated Jan. 6, 1968, p.2.

It may be pointed out here that it may not be expedient to delegate the general power of imposing taxes on goods carried by road (i.e. the taxing power under entry 56) to municipalities for the simple reason that if such a power is given to them the goods in transit will come to be taxed by them which would result in multiple levies on the goods. This would make the cost of goods prohibitive.

There appears to be two reasons for not expressly mentioning terminal taxes in the State List. One, terminal taxes are also octroi in a sense, since both are levied in respect of goods brought into the local area.⁴⁷ Second, the Constitution makers did not intend to give any power to the states to impose terminal taxes.

There are some differences between octroi and terminal taxes. Whereas octroi is imposed for goods brought into a local area for sale, use and consumption therein, a terminal tax can be imposed both on the entry (provided the goods are not in transit) and the exit of goods. Then since octroi is imposed for bringing goods into a local area only for sale, use or consumption,"⁴⁸ it is accompanied by a system of refund on these goods which ultimately do not satisfy this condition. Terminal taxes are therefore better from the point of view of a municipality since this tax is broader based than the octroi and does not involve the complicated procedure of refunds. But

47. *Burmah Shell Co. v. Belgaum Municipality*, A.I.R. 1963, S.C. 906.

48. The term "consumption" is a broad one and includes such a process as conversion of wheat into flour for sale outside the local territory, or sale of commodity to consumers within the local area; *Punjab Flour Mills case* and *Burmah Shell Company case*; supra note 41.

in view of the legal difficulties involved, terminal taxes cannot be an important source of revenue for municipalities. However, in order to give flexibility to municipalities whether to impose octroi or terminal taxes, it requires considerations by the participants to the Seminar whether Constitution should not be amended. The amendment could be on the following lines: In entry 52 in the State List the words "and terminal taxes" should be added so that local authorities may be given power to impose any of the two taxes. Then the power of the Union in entry 89 to impose terminal taxes on goods and passengers carried by railways etc. should be taken away and given to the states by express mention in entry 52. As it is, at present terminal tax on goods carried by railway remains a dead letter in the absence of countervailing power in the State list to impose terminal taxes on goods and passengers carried by road. Further, even now octroi is levied on all goods whether carried by railways or motor vehicles. The amendment suggested here would leave the Union to tax railway fares and freight the counterpart of which in case of the states is entry 56 reading as "tax on goods and passengers carried by road or inland waterways." From the revenue point of view the Union should not have any objection to the proposed amendment as under Art. 269 of terminal taxes on goods or passengers carried by railways etc. are in any case to be assigned to the states.

Octroi and terminal taxes are obnoxious levies on trade and commerce. They have a direct impact on the free movement

of trade and commerce. These taxes by operating on outside goods tend to benefit locally produced goods and thus give them competitive advantage over the former. The collection of these taxes requires maintenance of road barriers which adversely affects the quick movement of goods. How far do these taxes violate Art. 301 of the Constitution which guarantees freedom of trade and commerce throughout the territory of India? In *Atiabari Tea Co. v. State of Assam*,⁴⁹ the Supreme Court decided that a tax on tea carried by road on inland waterways (i.e. a tax falling within entry 56 of the state list) was operating directly on the movement part of trade and commerce and therefore it violated Art. 301 of the Constitution. Such a law could be saved only by obtaining the presidential assent and satisfying other requirements of Art. 304(b). An octroi or a terminal tax is also similar to the tax involved in the *Atiabari* case in the sense that it operates directly on the movement part of trade. The octroi has accordingly been condemned by various committees and commissions.⁵⁰ For instance, the Committee of Ministers has observed: (Octroi)...constitutes a restriction on through trade. The national economy should be safeguarded as an entity by facilitating the smooth flow of the same state by preventing the raising of bottlenecks through local government regulations. Octroi is certainly an undesirable tax from this point of view.⁵¹ Further, it

49. A.I.R. 1961 S.C. 232. Cf. *Sanik Motors Jodhpur v. State of Rajasthan*, A.I.R. 1961, S.C. 1480.

50. For instance Taxation Enquiry Commission Report, Vol. III p.402; and Report of the Committee of Ministers, supra note at 48.

51. Ibid., at 48.

has been pointed out that "since octroi mainly falls on goods meant for consumption in a given area, there is a tendency to set up production units in large consumption centres"⁵² which goes against the policy of the government in discouraging industries in large urban areas.

In *Gauri Shankar v. Jhunjhunu Municipality*⁵³ the Rajasthan High Court regarded octroi as restricting trade and commerce and therefore violating Art.301 of the Constitution. The two other High Courts have, however, taken the position that "octroi is a compensatory Tax"⁵⁴ and "octroi is not tax on movement part of trade"⁵⁵ and therefore it was not hit by Art.301. It is obvious that the latter approach of the two High Courts is not correct.

In view of the unsatisfactory character of the octroi it has been suggested from time to time that steps should be taken for its abolition.⁵⁶ Recently the Road Transport Taxation Enquiry Committee headed by Mr.B.V. Keskar in its interim report submitted to the Central Government has also suggested for abolition of the octroi. To compensate for the loss of revenue arising out of its abolition, alternative sources of revenue will have to be found for municipalities. One such source could be the imposition of surcharge on sales tax to be levied and collected by the State Government and then distributed amongst municipalities.

52. *Economic and Political Weekly*, October 21, 1967 at 1920.

53. A.I.R.1958 Raj.192. See also *Surajmal Baj v. State of Rajasthan*, A.I.R.1954, Raj.260.

54. *Orissa Ceramic Industries v. Jharsuguda Municipality*, A.I.R. 1963, Orissa 171.

55. *Transport Corpn. of India v. Mpl. Corpn. Indore*, A.I.R.1963 M.P.253.

56. For instance, see *Taxation Enquiry Commission Report* and the *Report of the Committee of Ministers*, supra note 50.